UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number: 001-34693

CHATHAM LODGING TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**27-1200777**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
222 Lakeview Avenue, Suite 200	
West Palm Beach, Florida	**33401**
(Address of Principal Executive Offices)	**(Zip Code)**

(561) 802-4477

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 9, 2017
Common Shares of Beneficial Interest ($0.01 par value per share)	38,405,014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CHATHAM LODGING TRUST
Consolidated Balance Sheets
(In thousands, except share and per share data)

	March 31, 2017	December 31, 2016
	(unaudited)	
Assets:		
Investment in hotel properties, net	$ 1,226,264	$ 1,233,094
Cash and cash equivalents	12,769	12,118
Restricted cash	24,116	25,083
Investment in unconsolidated real estate entities	20,120	20,424
Hotel receivables (net of allowance for doubtful accounts of $169 and $155, respectively)	6,694	4,389
Deferred costs, net	4,455	4,642
Prepaid expenses and other assets	5,200	2,778
Deferred tax asset, net	—	426
Total assets	$ 1,299,618	$ 1,302,954
Liabilities and Equity:		
Mortgage debt	$ 529,367	$ 530,323
Revolving credit facility	56,500	52,500
Accounts payable and accrued expenses	28,680	27,782
Distributions and losses in excess of investments of unconsolidated real estate entities	5,800	6,017
Distributions payable	4,831	4,742
Total liabilities	625,178	621,364
Commitments and contingencies (Note 12)		
Equity:		
Shareholders' Equity:		
Preferred shares, $0.01 par value, 100,000,000 shares authorized and unissued at March 31, 2017 and December 31, 2016	—	—
Common shares, $0.01 par value, 500,000,000 shares authorized; 38,402,659 and 38,367,014 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	380	380
Additional paid-in capital	722,844	722,019
Retained earnings (distributions in excess of retained earnings)	(53,730)	(45,657)
Total shareholders' equity	669,494	676,742
Noncontrolling Interests:		
Noncontrolling interest in Operating Partnership	4,946	4,848
Total equity	674,440	681,590
Total liabilities and equity	$ 1,299,618	$ 1,302,954

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Operations
(In thousands, except share and per share data)
(unaudited)

	For the three months ended March 31, 2017	2016
Revenue:		
Room	$ 64,393	$ 63,934
Food and beverage	1,502	1,508
Other	2,446	2,354
Cost reimbursements from unconsolidated real estate entities	881	1,054
Total revenue	69,222	68,850
Expenses:		
Hotel operating expenses:		
Room	13,505	13,812
Food and beverage	1,252	1,178
Telephone	409	421
Other hotel operating	599	589
General and administrative	5,654	5,497
Franchise and marketing fees	5,302	5,187
Advertising and promotions	1,331	1,352
Utilities	2,370	2,382
Repairs and maintenance	3,252	3,201
Management fees	2,247	2,229
Insurance	333	337
Total hotel operating expenses	36,254	36,185
Depreciation and amortization	12,004	12,475
Property taxes, ground rent and insurance	4,788	5,023
General and administrative	3,268	3,112
Hotel property acquisition costs and other charges	—	12
Reimbursed costs from unconsolidated real estate entities	881	1,054
Total operating expenses	57,195	57,861
Operating income	12,027	10,989
Interest and other income	12	21
Interest expense, including amortization of deferred fees	(6,993)	(7,037)
Loss on early extinguishment of debt	—	(4)
Loss from unconsolidated real estate entities	(85)	(647)
Income before income tax expense	4,961	3,322
Income tax expense	(317)	—
Net income	4,644	3,322
Net income attributable to noncontrolling interests	(31)	(22)
Net income attributable to common shareholders	$ 4,613	$ 3,300
Income per Common Share - Basic:		
Net income attributable to common shareholders (Note 10)	$ 0.12	$ 0.09
Income per Common Share - Diluted:		
Net income attributable to common shareholders (Note 10)	$ 0.12	$ 0.08
Weighted average number of common shares outstanding:		
Basic	38,361,113	38,274,448
Diluted	38,573,928	38,413,354
Distributions declared per common share:	$ 0.33	$ 0.31

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Equity
(In thousands, except share and per share data)
(unaudited)

	Common Shares		Additional Paid - In Capital	Retained earnings (distributions in excess of retained earnings)	Total Shareholders' Equity	Noncontrolling Interest in Operating Partnership	Total Equity
	Shares	Amount					
Balance, January 1, 2016	38,308,937	$ 379	$ 719,773	$ (27,281)	$ 692,871	$ 4,131	$ 697,002
Issuance of shares pursuant to Equity Incentive Plan	34,339	—	550	—	550	—	550
Issuance of shares, net of offering costs of $1	4,439	1	88	—	89	—	89
Amortization of share based compensation	—	—	331	—	331	279	610
Dividends declared on common shares ($0.31 per share)	—	—	—	(11,908)	(11,908)	—	(11,908)
Distributions declared on LTIP units ($0.31 per unit)	—	—	—	—	—	(171)	(171)
Reallocation of noncontrolling interest	—	—	11	—	11	(11)	—
Net income	—	—	—	3,300	3,300	22	3,322
Balance, March 31, 2016	38,347,715	$ 380	$ 720,753	$ (35,889)	$ 685,244	$ 4,250	$ 689,494
Balance, January 1, 2017	38,367,014	$ 380	$ 722,019	$ (45,657)	$ 676,742	$ 4,848	$ 681,590
Issuance of shares pursuant to Equity Incentive Plan	23,980	—	500	—	500	—	500
Issuance of shares, net of offering costs of $197	6,665	—	(63)	—	(63)	—	(63)
Issuance of restricted time-based shares	5,000	—	—	—	—	—	—
Amortization of share based compensation	—	—	224	—	224	438	662
Dividends declared on common shares ($0.33 per share)	—	—	—	(12,686)	(12,686)	—	(12,686)
Distributions declared on LTIP units ($0.33 per unit)	—	—	—	—	—	(207)	(207)
Reallocation of noncontrolling interest	—	—	164	—	164	(164)	—
Net income	—	—	—	4,613	4,613	31	4,644
Balance, March 31, 2017	38,402,659	$ 380	$ 722,844	$ (53,730)	$ 669,494	$ 4,946	$ 674,440

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Cash flows from operating activities:		
Net income	$ 4,644	$ 3,322
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,950	12,421
Amortization of deferred franchise fees	54	53
Amortization of deferred financing fees included in interest expense	260	268
Loss on early extinguishment of debt	—	4
Share based compensation	787	735
Loss from unconsolidated real estate entities	85	647
Changes in assets and liabilities:		
Hotel receivables	(2,303)	(2,647)
Deferred tax asset	426	—
Deferred costs	(24)	—
Prepaid expenses and other assets	(2,435)	(1,482)
Accounts payable and accrued expenses	1,219	749
Net cash provided by operating activities	14,663	14,070
Cash flows from investing activities:		
Improvements and additions to hotel properties	(5,053)	(4,593)
Distributions from unconsolidated entities	—	587
Restricted cash	967	(2,147)
Net cash used in investing activities	(4,086)	(6,153)
Cash flows from financing activities:		
Borrowings on revolving credit facility	16,000	15,500
Repayments on revolving credit facility	(12,000)	(10,500)
Payments on mortgage debt	(1,058)	(859)
Principal prepayment of mortgage debt	—	(5,954)
Payment of financing costs	—	(18)
Payment of offering costs	(197)	(1)
Proceeds from issuance of common shares	134	88
Distributions-common shares/units	(12,805)	(14,730)
Net cash used in financing activities	(9,926)	(16,474)
Net change in cash and cash equivalents	651	(8,557)
Cash and cash equivalents, beginning of period	12,118	21,036
Cash and cash equivalents, end of period	$ 12,769	$ 12,479
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,564	$ 6,729
Cash paid for income taxes	$ 6	$ —

-continued-

Supplemental disclosure of non-cash investing and financing information:

On January 15, 2017, the Company issued 23,980 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2016. On January 15, 2016, the Company issued 26,488 shares to its independent trustees pursuant to the Company's Equity Incentive Plan as compensation for services performed in 2015.

As of March 31, 2017, the Company had accrued distributions payable of $4,831. These distributions were paid on April 28, 2017, except for $554 related to accrued but unpaid distributions on unvested performance based shares and LTIP units (See Note 11). As of March 31, 2016, the Company had accrued distributions payable of $4,571. These distributions were paid on April 29, 2016, except for $313 related to accrued but unpaid distributions on unvested performance based shares.

Accrued share based compensation of $125 and $125 is included in accounts payable and accrued expenses as of March 31, 2017 and 2016, respectively.

Accrued capital improvements of $2,007 and $1,735 are included in accounts payable and accrued expenses as of March 31, 2017 and 2016, respectively.

As of March 31, 2016, there were accrued distributions in hotel receivables of $235 related to the sale of the Torrance JV.

The accompanying notes are an integral part of these consolidated financial statements.

CHATHAM LODGING TRUST
Notes to the Consolidated Financial Statements
(in thousands, except share and per share data, unless otherwise specified)
(unaudited)

1. Organization

Chatham Lodging Trust (“we,” “us” or the “Company”) was formed as a Maryland real estate investment trust (“REIT”) on October 26, 2009. The Company is internally-managed and invests primarily in upscale extended-stay and premium-branded select-service hotels.

In January 2014, the Company established an At the Market Equity Offering ("ATM Plan") whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to $50 million by means of ordinary brokers’ transactions on the New York Stock Exchange (the "NYSE"), in negotiated transactions or in transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, with Cantor Fitzgerald & Co. ("Cantor") acting as sales agent pursuant to a Sales Agreement (the “Cantor Sales Agreement”). On January 13, 2015, the Company entered into a Sales Agreement (the “Barclays Sales Agreement”) with Barclays Capital Inc. (“Barclays”) to add Barclays as an additional sales agent under the Company’s ATM Plan. As of March 31, 2017, we had issued 880,820 shares under the ATM Plan at a weighted average price of $23.54. As of March 31, 2017, there was approximately $29.3 million available for issuance under the ATM Plan.

In January 2014, the Company established a $25 million dividend reinvestment and stock purchase plan ("DRSPP"). Under the DRSPP, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on the Company's common shares. Shareholders may also make optional cash purchases of the Company's common shares subject to certain limitations detailed in the prospectus for the DRSPP. In January 2017, we filed a new $25 million registration statement for the DRSPP to replace the prior existing program. As of March 31, 2017, we had issued 35,998 shares under the DRSPP at a weighted average price of $21.02. As of March 31, 2017, there was approximately $24.2 million available for issuance under the DRSPP.

The net proceeds from any share offerings or issuances are contributed to Chatham Lodging, L.P., our operating partnership (the “Operating Partnership”), in exchange for partnership interests. Substantially all of the Company’s assets are held by, and all operations are conducted through, the Operating Partnership. Chatham Lodging Trust is the sole general partner of the Operating Partnership and owns 100% of the common units of limited partnership interest in the Operating Partnership. Certain of the Company’s executive officers hold vested and unvested long-term incentive plan units in the Operating Partnership ("LTIP units"), which are presented as non-controlling interests on our consolidated balance sheets.

On January 1, 2016, the Company adopted accounting guidance under Accounting Standards Codification (ASC) Topic 810, "Consolidation,” modifying the analysis it must perform to determine whether it should consolidate certain types of legal entities. The guidance does not amend the existing disclosure requirements for variable interest entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model. Under the revised guidance, the Operating Partnership will be a VIE of the Company. As the Operating Partnership is already consolidated in the financial statements of the Company, the identification of this entity as a VIE has no impact on the consolidated financial statements of the Company. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption. In addition, there were no other voting interest entities under prior existing guidance determined to be variable interest entities under the revised guidance.

As of March 31, 2017, the Company wholly owned 38 hotels with an aggregate of 5,712 rooms located in 15 states and the District of Columbia. As of March 31, 2017, the Company also (i) held a 10.3% noncontrolling interest in a joint venture (the “NewINK JV”) with affiliates of Colony NorthStar, Inc. ("CLNS"), which was formed in the second quarter of 2014 and acquired 47 hotels comprising an aggregate of 6,097 rooms from a joint venture (the "Innkeepers JV") between the Company and Cerberus Capital Management ("Cerberus") and (ii) held a 10.0% noncontrolling interest in a separate joint venture (the "Inland JV") with affiliates of CLNS, which was formed in the fourth quarter of 2014 and acquired 48 hotels from Inland American Real Estate Trust, Inc. ("Inland"), comprising an aggregate of 6,401 rooms. We sometimes refer to the NewINK JV and Inland JV collectively as the ("JVs").

To qualify as a REIT, the Company cannot operate the hotels. Therefore, the Operating Partnership and its subsidiaries lease the Company's wholly owned hotels to taxable REIT subsidiary lessees (“TRS Lessees”), which are wholly owned by the Company’s taxable REIT subsidiary (“TRS”) holding company. The Company indirectly (i) owns its 10.3% interest in all of the 47 NewINK JV hotels and (ii) owns its 10% interest in all of the 48 Inland JV hotels through the Operating Partnership. All of the NewINK JV hotels and Inland JV hotels are leased to TRS Lessees, in which the Company indirectly owns noncontrolling interests through its TRS holding company. Each hotel is leased to a TRS Lessee under a percentage lease that provides for rental payments equal to the greater of (i) a fixed base rent amount or (ii) a percentage rent based on hotel revenue. The initial term of each of the TRS leases is 5 years. Lease revenue from each TRS Lessee is eliminated in consolidation.

The TRS Lessees have entered into management agreements with third-party management companies that provide day-to-day management for the hotels. As of March 31, 2017, Island Hospitality Management LLC (“IHM”), which is 51% owned by Jeffrey H. Fisher, the Company's Chairman, President and Chief Executive Officer, managed all 38 of the Company’s wholly owned hotels. As of March 31, 2017, all of the NewINK JV hotels were managed by IHM. As of March 31, 2017, 34 of the Inland JV hotels were managed by IHM and 14 hotels were managed by Marriott International, Inc. ("Marriott").

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and in conformity with the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim financial information. These unaudited consolidated financial statements, in the opinion of management, include all adjustments consisting of normal, recurring adjustments which are considered necessary for a fair statement of the consolidated balance sheets, consolidated statements of operations, consolidated statements of equity, and consolidated statements of cash flows for the periods presented. Interim results are not necessarily indicative of full year performance due to seasonal and other factors, including the timing of the acquisition of hotels.

The consolidated financial statements include all of the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions are eliminated in consolidation. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited financial statements prepared in accordance with GAAP, and the related notes thereto as of December 31, 2016, which are included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Reclassifications

Certain prior period amounts in the consolidated financial statements have been reclassified to conform to be comparable to the current period presentation. The reclassification did not have any impact on the previously reported income or equity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018 with early adoption beginning January 1, 2017. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. The Company has begun to evaluate each of its revenue streams under the new model. Based on preliminary assessments, the Company does not expect adoption of this guidance will have a material impact on its consolidated financial statements and related disclosures.

On February 25, 2016, the FASB issued ASU 2016-02 (“ASU 2016-02”), *Leases*, which relates to the accounting for leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2016-02 is expected to impact the Company's financial statements as the Company has certain operating/land rights arrangements for which the Company is the lessee.

On August 26, 2016, the FASB issued ASU 2016-15 ("ASU 2016-15"), *Classification of Certain Cash Receipts and Cash Payments*, which clarifies and provides specific guidance on eight cash flow classification issues with an objective to reduce the current diversity in practice. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with earlier adoption permitted. We are evaluating the impact the adoption of ASU 2016-15 will have on our consolidated financial statements as the Company has certain cash payments and receipts related to debt extinguishment and distributions from equity method investments that will be affected by the new standard.

On November 17, 2016, the FASB issued ASU 2016-18 ("ASU 2016-18"), *Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This standard will be effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years and all other entities for fiscal years beginning after December 15, 2018. We are evaluating the impact the adoption of ASU 2016-18 will have on our consolidated financial statements.

On January 5, 2017, the FASB issued ASU 2017-01 ("ASU 2017-01"), *Definition of a Business*, which will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical and oil and gas. Application of the changes would also affect the accounting for disposal transactions. This standard will be effective for public business entities with a calendar year end in 2018 and all other entities have an additional year to adopt. We are evaluating the impact the adoption of ASU 2017-01 will have on our consolidated financial statements.

4. Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts at a level believed to be adequate to absorb estimated probable losses. That estimate is based on past loss experience, current economic and market conditions and other relevant factors. The allowance for doubtful accounts was $0.2 million and $0.2 million as of March 31, 2017 and December 31, 2016, respectively.

5. Investment in Hotel Properties

Investment in hotel properties as of March 31, 2017 and December 31, 2016 consisted of the following (in thousands):

	March 31, 2017	December 31, 2016
Land and improvements	$ 274,554	$ 274,554
Building and improvements	1,048,398	1,045,880
Furniture, fixtures and equipment	50,803	50,495
Renovations in progress	12,348	10,067
	1,386,103	1,380,996
Less: accumulated depreciation	(159,839)	(147,902)
Investment in hotel properties, net	**$ 1,226,264**	**$ 1,233,094**

6. Investment in Unconsolidated Entities

On June 9, 2014, the Company acquired a 10.3% interest in the NewINK JV, a joint venture between affiliates of NorthStar Realty Finance Corp. ("NorthStar") and the Operating Partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNS, which owns a 89.7% interest in the NewINK JV. As of March 31, 2017 and 2016, the Company's share of partners' capital in the NewINK JV is approximately $46.6 million and $12.9 million, respectively and the total difference between the carrying amount of investment and the Company's share of partners' capital is approximately $52.4 million and $16.6 million (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The value of NewINK JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar.

During the three months ended March 31, 2017 and 2016, the Company received cash distributions from the NewINK JV as follows (in thousands):

	For the three months ended March 31,	
	2017	2016
Cash generated from other activities and excess cash	$ —	$ 822
Total	**$ —**	**$ 822**

On November 17, 2014, the Company acquired a 10.0% interest in the Inland JV, a joint venture between affiliates of NorthStar and the Operating Partnership. The Company accounts for this investment under the equity method. NorthStar merged with Colony Capital, Inc. ("Colony") on January 10, 2017 to form a new company, CLNS, which owns a 90.0% interest in the Inland JV. As of March 31, 2017 and 2016, the Company's share of partners' capital in the Inland JV is approximately $28.2 million and $23.1 million, respectively and the total difference between the carrying amount of the investment and the Company's share of partners' capital is approximately $8.1 million and $0.0 million, respectively (for which the basis difference related to amortizing assets is being recognized over the life of the related assets as a basis difference adjustment). The value of Inland JV assets and liabilities were adjusted to reflect estimated fair market value at the time Colony merged with NorthStar. The Company serves as managing member of the Inland JV. During the three months ended March 31, 2017 and 2016, the Company received no cash distributions from the Inland JV.

The Company's ownership interests in the JVs are subject to change in the event that either the Company or CLNS calls for additional capital contributions to the respective JVs necessary for the conduct of business, including contributions to fund costs and expenses related to capital expenditures. The Company could be required under its unconditional guaranty to repay portions of the debt of the JVs. The Company manages the JVs and will receive a promote interest in each applicable JV if it meets certain return thresholds for such JV. CLNS may also approve certain actions by the JVs without the Company's consent, including certain property dispositions conducted at arm's length, certain actions related to the restructuring of the applicable JV and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the applicable joint venture agreement.

The Company's investment in the NewINK JV and the Inland JV were $(5.8) million and $20.1 million, respectively, at March 31, 2017 and $(6.0) million and $20.4 million, respectively, at December 31, 2016. The following table sets forth the combined components of net income (loss), including the Company's share, related to the NewINK JV and Inland JV for the three months ended March 31, 2017 and 2016 (in thousands):

	For the three months ended March 31, 2017	For the three months ended March 31, 2016
Revenue	$ 108,574	$ 108,429
Total hotel operating expenses	74,957	74,245
Operating income	$ 33,617	$ 34,184
Net loss from continuing operations	$ (7,513)	$ (7,890)
Net loss	$ (7,513)	$ (7,890)
Loss allocable to the Company	$ (760)	$ (797)
Basis difference adjustment	675	150
Total loss from unconsolidated real estate entities attributable to the Company	**$ (85)**	**$ (647)**

7. Debt

The Company's mortgage loans and its senior unsecured revolving credit facility are collateralized by first-mortgage liens on certain of the Company's properties. The mortgages are non-recourse except for instances of fraud or misapplication of funds. Mortgage debt consisted of the following (dollars in thousands):

Collateral	Interest Rate	Maturity Date	3/31/17 Property Carrying Value	Balance Outstanding on Loan as of March 31, 2017	Balance Outstanding on Loan as of December 31, 2016
Senior Unsecured Revolving Credit Facility [1]	3.35%	November 25, 2019	$ —	$ 56,500	$ 52,500
Residence Inn by Marriott New Rochelle, NY	5.75%	September 1, 2021	19,849	14,045	14,141
Residence Inn by Marriott San Diego, CA	4.66%	February 6, 2023	44,514	28,885	29,026
Homewood Suites by Hilton San Antonio, TX	4.59%	February 6, 2023	32,654	16,494	16,575
Residence Inn by Marriott Vienna, VA	4.49%	February 6, 2023	30,747	22,585	22,699
Courtyard by Marriott Houston, TX	4.19%	May 6, 2023	32,008	18,661	18,758
Hyatt Place Pittsburgh, PA	4.65%	July 6, 2023	35,479	22,755	22,864
Residence Inn by Marriott Bellevue, WA	4.97%	December 6, 2023	68,788	46,016	46,206
Residence Inn by Marriott Garden Grove, CA	4.79%	April 6, 2024	39,878	33,542	33,674
Residence Inn by Marriott Silicon Valley I, CA	4.64%	July 1, 2024	82,028	64,800	64,800
Residence Inn by Marriott Silicon Valley II, CA	4.64%	July 1, 2024	89,831	70,700	70,700
Residence Inn by Marriott San Mateo, CA	4.64%	July 1, 2024	64,635	48,600	48,600
Residence Inn by Marriott Mountain View, CA	4.64%	July 6, 2024	56,776	37,900	37,900
SpringHill Suites by Marriott Savannah, GA	4.62%	July 6, 2024	37,190	30,000	30,000
Hilton Garden Inn Marina del Rey, CA	4.68%	July 6, 2024	42,798	22,047	22,145
Homewood Suites by Hilton Billerica, MA	4.32%	December 6, 2024	11,536	16,225	16,225
Homewood Suites by Hilton Carlsbad CA	4.32%	December 6, 2024	29,710	19,950	19,950
Hampton Inn & Suites Houston Medical Center, TX	4.25%	January 6, 2025	14,987	18,300	18,300
Total debt before unamortized debt issue costs			**$ 733,408**	**$ 588,005**	**$ 585,063**
Unamortized mortgage debt issue costs				(2,138)	(2,240)
Total debt outstanding				**$ 585,867**	**$ 582,823**

(1) The interest rate for the senior unsecured revolving credit facility is variable and based on either LIBOR plus an applicable margin ranging from 1.55% to 2.3%, or prime plus an applicable margin of 0.55% to 1.3%.

At March 31, 2017 and December 31, 2016, the Company had $56.5 million and $52.5 million, respectively, of outstanding borrowings under its senior unsecured revolving credit facility. At March 31, 2017, the maximum borrowing availability under the senior unsecured revolving credit facility was $250.0 million.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. All of the Company's mortgage loans are fixed-rate. Rates take into consideration general market conditions, quality and estimated value of collateral and maturity of debt with similar credit terms and are classified within level 3 of the fair value hierarchy. The estimated fair value of the Company's fixed rate debt as of March 31, 2017 and December 31, 2016 was $524.1 million and $516.0 million, respectively.

The Company estimates the fair value of its variable rate debt by taking into account general market conditions and the estimated credit terms it could obtain for debt with similar maturity and is classified within level 3 of the fair value hierarchy. As of March 31, 2017, the Company's only variable rate debt is under its senior unsecured revolving credit facility. The estimated fair value of the Company's variable rate debt as of March 31, 2017 and December 31, 2016 was $56.5 million and $52.5 million, respectively.

As of March 31, 2017, the Company was in compliance with all of its financial covenants. At March 31, 2017, the Company's consolidated fixed charge coverage ratio was 3.40. and the bank covenant is 1.5. Future scheduled principal payments of debt obligations as of March 31, 2017, for the current year and each of the next four calendar years and thereafter are as follows (in thousands):

		Amount
2017 (remaining nine months)	$	3,243
2018		5,374
2019		63,840
2020		9,899
2021		22,308
Thereafter		483,341
Total debt before unamortized debt issue costs	**$**	**588,005**
Unamortized mortgage debt issue costs		(2,138)
Total debt outstanding	**$**	**585,867**

8. Income Taxes

The Company's TRS is subject to federal and state income taxes.

The components of income tax expense for the following periods are as follows (in thousands):

	For the three months ended March 31,			
		2017		**2016**
Federal	$	271	$	—
State		46		—
Tax expense (benefit)	$	317	$	—

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. The Company's TRS is expecting increased losses in 2017. As of March 31, 2017, the TRS recorded a full valuation allowance equal to 100% of the gross deferred tax asset due to the uncertainty of the TRS's ability to fully utilize these deferred tax assets. As of March 31, 2017, the Company's TRS has a valuation allowance of $1.4 million. Management will continue to monitor the need for a valuation allowance on a quarterly basis.

9. Dividends Declared and Paid

The Company declared total common share dividends of $0.33 per share and distributions on LTIP units of $0.33 per unit for the three months ended March 31, 2017. The dividends and distributions were as follows:

	Record Date	Payment Date	Common share distribution amount	LTIP unit distribution amount
January	1/31/2017	2/24/2017	$ 0.11	$ 0.11
February	2/28/2017	3/31/2017	0.11	0.11
March	3/31/2017	4/28/2017	0.11	0.11
1st Quarter 2017			**$ 0.33**	**$ 0.33**

10. Earnings Per Share

The two-class method is used to determine earnings per share because unvested restricted shares and unvested LTIP units are considered to be participating shares. The LTIP units held by the non-controlling interest holders, which may be converted to common shares of beneficial interest, have been excluded from the denominator of the diluted earnings per share calculation as there would be no effect on the amounts since limited partners' share of income or loss would also be added back to net income or loss. Unvested restricted shares, unvested long-term incentive plan units and unvested Class A Performance units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share, for the periods where a loss has been recorded, because they would have been anti-dilutive for the periods presented. The following is a reconciliation of the amounts used in calculating basic and diluted net income per share (in thousands, except share and per share data):

	For the three months ended March 31,	
	2017	**2016**
Numerator:		
Net income attributable to common shareholders	$ 4,613	$ 3,300
Dividends paid on unvested shares and units	(42)	(46)
Net income attributable to common shareholders	$ 4,571	$ 3,254
Denominator:		
Weighted average number of common shares - basic	38,361,113	38,274,448
Effect of dilutive securities:		
Unvested shares	212,815	138,906
Weighted average number of common shares - diluted	38,573,928	38,413,354
Basic income per Common Share:		
Net income attributable to common shareholders per weighted average basic common share	$ 0.12	$ 0.09
Diluted income per Common Share:		
Net income attributable to common shareholders per weighted average diluted common share	$ 0.12	$ 0.08

11. Equity Incentive Plan

The Company maintains its Equity Incentive Plan to attract and retain independent trustees, executive officers and other key employees and service providers. The plan provides for the grant of options to purchase common shares, share awards, share appreciation rights, performance units and other equity-based awards. The plan was amended and restated as of May 17, 2013 to increase the maximum number of shares available under the plan to 3,000,000 shares. Share awards under this plan generally vest over three years, though compensation for the Company's independent trustees includes shares granted that vest immediately. The Company pays dividends on unvested shares and units, except for performance based shares and outperformance based units, for which dividends on unvested performance based shares and units are not paid until those shares or units vest. Certain awards may provide for accelerated vesting if there is a change in control. In January 2017 and 2016, the Company issued 23,980 and 26,488 common shares, respectively, to its independent trustees as compensation for services performed in 2016 and 2015, respectively. The quantity of shares was calculated based on the average of the closing price for the Company's common shares on the NYSE for the last ten trading days of 2016. The Company would have distributed 6,467 common shares for services performed in 2017 had this liability classified award been satisfied as of March 31, 2017. As of March 31, 2017, there were 1,871,942 common shares available for issuance under the Equity Incentive Plan.

Restricted Share Awards

A summary of the shares granted to executive officers that have not fully vested pursuant to the Equity Incentive Plan as of March 31, 2017 is as follows:

Award Type	Award Date	Total Shares Granted	Vested as of March 31, 2017
2014 Time-based Awards	1/31/2014	48,213	48,213
2014 Performance-based Awards	1/31/2014	38,805	12,935
2015 Time-based Awards	1/30/2015	40,161	26,774
2015 Performance-based Awards	1/30/2015	36,144	—
2015 Time-based Awards	6/1/2015	8,949	2,983
2017 Restricted Board Awards	1/11/2017	5,000	—

Time-based shares vest over a three-year period. The performance-based shares will be issued and vest over a three-year period only if and to the extent that long-term performance criteria established by the Board of Trustees are met and the recipient remains employed by the Company through the vesting date.

The Company measures compensation expense for time-based share awards based upon the fair market value of its common shares at the date of grant. For the performance-based shares granted in 2014 and 2015, compensation expense is based on a valuation of $13.17 and $21.21, respectively, per performance share granted, which takes into account that some or all of the awards may not vest if long-term performance criteria are not met during the vesting period. The 2014 performance-based shares did not meet the vesting criteria for 2015 or 2016 causing those shares not to be eligible for future vesting.

The grant date fair values of the performance-based share awards were determined using a Monte Carlo simulation method with the following assumptions:

Performance Award Grant Date	Volatility	Dividend Yield	Risk Free Interest Rate
1/31/2014	27%	—%	0.71%
1/30/2015	29%	—%	0.84%

Compensation expense is recognized on a straight-line basis over the vesting period and is included in general and administrative expense in the accompanying consolidated statements of operations. The Company pays dividends on unvested time-based restricted shares. Dividends for performance-based shares are accrued and paid annually only if and to the extent that long-term performance criteria established by the Board of Trustees are met and the recipient remains employed by the Company on the vesting date.

A summary of the Company’s restricted share awards for the three months ended March 31, 2017 and the year ended December 31, 2016 is as follows:

	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	Number of Shares		Weighted - Average Grant Date Fair Value	Number of Shares		Weighted - Average Grant Date Fair Value
Non-vested at beginning of the period	110,825	$	22.05	170,480	$	21.38
Granted	5,000		20.20	—		—
Vested	(29,458)		25.55	(59,655)		20.14
Forfeited	(25,870)	$	13.17	—	$	—
Non-vested at end of the period	**60,497**	**$**	**23.99**	**110,825**	**$**	**22.05**

As of March 31, 2017 and December 31, 2016, there were $0.7 million and $0.9 million, respectively, of unrecognized compensation costs related to restricted share awards. As of March 31, 2017, these costs were expected to be recognized over a weighted–average period of approximately 1.1 years. For the three months ended March 31, 2017 and 2016, the Company recognized approximately $0.2 million and $0.3 million, respectively of expense related to the restricted share awards. This expense is included in general and administrative expenses in the accompanying consolidated statements of operations.

Long-Term Incentive Plan Units

The Company recorded $0.4 million and $0.3 million in compensation expense related to the LTIP units for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017 and December 31, 2016, there was $6.4 million and $2.6 million, respectively, of total unrecognized compensation cost related to LTIP units. This cost is expected to be recognized over approximately 2.6 years, which represents the weighted average remaining vesting period of the LTIP units. Upon the closing of the Company's equity offering on September 30, 2013, the Company determined that a revaluation event occurred, as defined in the Internal Revenue Code of 1986, as amended, and 26,250 LTIP units awarded in 2010 and held by one of the officers of the Company had achieved full parity with the common units of the Operating Partnership with respect to liquidating distributions and all other purposes. 100% of these units have vested as of March 31, 2017. As of June 4, 2014, the Company determined that a revaluation event occurred, as defined in the Internal Revenue Code of 1986, as amended, and 231,525 LTIP units awarded in 2010 and held by two other officers of the Company had achieved full parity with the common units of the Operating Partnership with respect to liquidating distributions and all other purposes. As of March 31, 2017, 100% of these units have vested. Accordingly, these LTIP units awarded in 2010 are allocated their pro-rata share of the Company's net income.

A summary of the Company's LTIP Unit awards for the three months ended March 31, 2017 and the year ended December 31, 2016 is as follows:

	Three Months Ended March 31, 2017			Year Ended December 31, 2016		
	Number of Shares		Weighted - Average Grant Date Fair Value	Number of Shares		Weighted - Average Grant Date Fair Value
Non-vested at beginning of the period	295,551	$	14.36	183,300	$	14.13
Granted	223,922		19.20	112,251		14.73
Vested	(37,417)		14.73	—		—
Non-vested at end of the period	482,056	$	16.58	295,551	$	14.36

On June 1, 2015, the Company's Operating Partnership granted 183,300 Class A Performance LTIP units, as recommended by the Compensation Committee of the Board (the “Compensation Committee”), pursuant to a long-term, multi-year performance plan (the “Outperformance Plan”). The awards granted pursuant to the Outperformance Plan are subject to two separate performance measurements, with 60% of the award (the "Absolute Award") based solely on the Company's total shareholder return ("TSR") (the "Absolute TSR Component") and 40% of the award (the "Relative Award") measured by the Company's TSR (the "Relative TSR Component") relative to the other companies (the "Index Companies") that were constituents of the SNL US REIT Hotel Index (the "Index") during the entire measurement period. Under the Absolute TSR Component, 37.5% of the Absolute Award is earned if the Company achieves a 25% TSR over the measurement period. That percentage increases on a linear basis with the full Absolute Award being earned at a 50% TSR over the measurement period. For TSR performance below 25%, no portion of the Absolute Award will be earned. Under the Relative TSR Component, 37.5% of the Relative Award is earned if the Company is at the 50th percentile of the Index Companies at the end of the measurement period. That percentage increases on a linear basis with the full Relative Award earned if the Company is at the 75th percentile of the Index Companies at the end of the measurement period. If the Company is below the 50th percentile of the Index Companies at the end of the measurement period, no portion of the Relative Award will be earned. Compensation expense is based on an estimated value of $14.13 per Class A Performance LTIP unit, which takes into account that some or all of the awards may not vest if long-term performance criteria are not met during the vesting period. Awards earned under the Outperformance Plan will vest 50% at the end of the three-year measurement period on June 1, 2018 and 25% each on the one-year and two-year anniversaries of the end of the three-year measurement period, or June 1, 2019 and 2020, respectively, and provided that the recipient remains employed by the Company through the vesting dates. In the event of a Change in Control (as defined in the executive officers’ employment agreements), Outperformance Plan awards will be earned contingent upon the attainment of a pro rata TSR hurdle for the Absolute Award and achievement of the relative TSR percentile for the Relative Award based upon the in-place formula and using the Change of Control as the end of measurement period. Vesting continues to apply to awards earned upon a Change of Control, subject to full acceleration upon termination without cause or resignation for good reason within 18 months of the Change of Control. Prior to vesting, holders of Class A Performance LTIP Units will not be entitled to vote their Class A Performance LTIP units. In addition, under the terms of the Class A Performance LTIP units, a holder of a Class A Performance LTIP unit will generally (i) be entitled to receive 10% of the distributions made on a common unit of the Operating Partnership during the period prior to vesting of such Class A Performance LTIP unit (the “Pre-Vesting Distributions”), (ii) be entitled, upon the vesting of such Class A Performance LTIP unit, to receive a special one-time “catch-up” distribution equal to the aggregate amount of distributions that were paid on a common unit during the period prior to vesting of such Class A Performance LTIP unit minus the aggregate amount of Pre-Vesting Distributions paid on such Class A Performance LTIP unit, and (iii) be entitled, following the vesting of such Class A Performance LTIP unit, to receive the same amount of distributions paid on a common unit of the Operating Partnership.

Time-Based Equity Incentive Awards

On January 28, 2016, the Company’s Operating Partnership, upon the recommendation of the Compensation Committee, granted 72,966 time-based LTIP unit awards (the “2016 Time-Based LTIP Unit Award”). The grants were made pursuant to award agreements that provide for time-based vesting.

The 2016 Time-Based LTIP Unit Awards vest ratably on each of January 28, 2017, January 28, 2018 and January 28, 2019 (provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company). Prior to vesting, a holder is entitled to receive distributions on and to vote the LTIP Units that comprise the 2016 Time-Based LTIP Unit Awards. Compensation expense is based on an estimated value of $16.69 per 2016 Time-Based LTIP Unit Award.

On March 1, 2017, the Company's Operating Partnership, upon recommendation of the Compensation Committee, granted 89,574 time-based awards (the "2017 Time-Based LTIP Unit Award"). The grants were made pursuant to the award agreements that provide for time-based vesting.

The 2017 Time-based LTIP Unit Awards will vest ratably on each of March 1, 2018, March 1, 2019 and March 1, 2020 (provided that the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient’s death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company). Prior to vesting, a holder is entitled to receive distributions on and to vote the LTIP Units that comprise the 2017 Time-Based LTIP Unit Awards. Compensation expense is based on an estimated value of $18.53 per 2017 Time-Based LTIP Unit Award.

Performance-Based Equity Incentive Awards

On January 28, 2016, the Company's Operating Partnership, upon the recommendation of the Compensation Committee, also granted 39,285 performance-based LTIP unit awards (the "2016 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that provide for performance-based vesting. The 2016 Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP Units of the Operating Partnership ("Class A Performance LTIP Units") that will vest only if and to the extent that (i) the Company achieves certain long-term performance criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the applicable vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of $11.09 per 2016 Performance-Based LTIP Unit Award, which takes into account that some or all of the awards may not vest if long-term performance criteria are not met during the vesting period.

The 2016 Performance-Based LTIP Unit Awards shall vest based on the following:

(a) The number of Class A Performance LTIP Units that most nearly equals (but does not exceed) one-third of the Class A Performance LTIP Units issued pursuant to such 2016 Performance-Based LTIP Unit Award shall vest on January 28, 2017, if the Total Shareholder Return for the 12-month period beginning January 28, 2016 and ending on January 27, 2017 is 8% or more.

(b) The number of Class A Performance LTIP Units that most nearly equals (but does not exceed) one-third of the Class A Performance LTIP Units issued pursuant to such 2016 Performance-Based LTIP Unit Award shall vest on January 28, 2018, if the Total Shareholder Return for the 12-month period beginning January 28, 2017 and ending on January 27, 2018 is 8% or more.

(c) The number of Class A Performance LTIP Units that most nearly equals (but does not exceed) one-third of the Class A Performance LTIP Units issued pursuant to such 2016 Performance-Based LTIP Unit Award shall vest on January 28, 2019, if the Total Shareholder Return for the 12-month period beginning January 28, 2018 and ending on January 27, 2019 is 8% or more.

(d) All of the Class A Performance LTIP Units issued pursuant to such 2016 Performance-Based LTIP Unit Award (less any Class A Performance LTIP Units that previously vested under paragraphs (a), (b) or (c) above), shall vest on January 28, 2019, if the average Total Shareholder Return for the 36-month period ending on January 27, 2019 is 8% or more.

For purposes of the 2016 Performance-Based LTIP Unit Awards, "Total Shareholder Return" means, with respect to the measurement periods described in paragraphs (a), (b), (c) and (d) above, the total percentage return per common share of the Company based on the closing price of the Company's common shares on the NYSE on the last trading day immediately preceding the first day of the applicable measurement period compared to the closing price of the Company's common shares on the NYSE on the last trading day of such measurement period and assuming contemporaneous reinvestment in Company common shares of all dividends and other distributions at the closing price of the Company's common shares on the date such dividend or other distribution was paid.

On March 1, 2017, The Company's Operating Partnership, upon the recommendation of the Compensation Committee, also granted 134,348 performance-based awards (the "2017 Performance-Based LTIP Unit Awards"). The grants were made pursuant to award agreements that provide for performance-based vesting. The 2017 Performance-Based LTIP Unit Awards are comprised of Class A Performance LTIP Units that will vest only if and to the extent that (i) the Company achieves certain long-term performance criteria established by the Compensation Committee and (ii) the recipient remains employed by the Company through the vesting date, subject to acceleration of vesting in the event of the recipient's death, disability, termination without cause or resignation with good reason, or in the event of a change of control of the Company. Compensation expense is based on an estimated value of $19.65 per 2017 Performance-Based LTIP Unit Award, which takes into account that some or all of the awards may not vest if long-term performance criteria are not met during the vesting period.

The 2017 Performance-Based LTIP Unit Awards may be earned based on the Company's relative TSR performance for the three-year period beginning on March 1, 2017 and ending on February 28, 2020. The 2017 Performance-Based LTIP Unit Awards, if earned, will be paid out between 50% and 150% of target value as follows:

	Relative TSR Hurdles (Percentile)	Payout Percentage
Threshold	25th	50%
Target	50th	100%
Maximum	75th	150%

Payouts at performance levels in between the hurdles will be calculated by straight-line interpolation. The TSR hurdles are based on the Company's performance relative to the average TSR for the companies included in the SNL US Hotel REIT Index. TSR will be calculated to include share price appreciation plus dividends assuming the reinvestment of dividends as calculated by a third-party such as SNL Financial. The Company will estimate the aggregate compensation cost to be recognized over the service period determined as of the grant date under ASC 718, excluding the effect of estimated forfeitures, and will calculate the value at the grant date based on the probable outcome of the performance conditions.

A holder of a Class A Performance LTIP Unit will generally (i) only be entitled, during the period prior to the vesting of such Class A Performance LTIP Unit, to receive 10% of the distributions made on a common unit of limited partnership interest ("Common Unit") in the Operating Partnership (the "Pre-Vesting Distributions"), and (ii) be entitled, upon the vesting of such Class A Performance LTIP Unit, to a special one-time "catch-up" distribution equal to the aggregate amount of distributions that were paid on a Common Unit during the period prior to vesting of such Class A Performance LTIP Unit minus the aggregate amount of Pre-Vesting Distributions paid on such Class A Performance LTIP Unit. In addition, prior to the vesting of a Class A Performance LTIP Unit, the holder of such Class A Performance LTIP Unit will not be entitled to vote on such Class A Performance LTIP Unit.

The LTIP units' fair value was determined using a Monte Carlo approach. In determining the discounted value of the LTIP units, the Company considered the inherent uncertainty that the LTIP units would never reach parity with the other common units of the Operating Partnership and thus have an economic value of zero to the grantee. Additional factors considered in reaching the assumptions of uncertainty included discounts for illiquidity; expectations for future dividends; limited or no operations history as of the date of the grant; significant dependency on the efforts and services of our executive officers and other key members of management to implement the Company's business plan; available acquisition opportunities; and economic environment and conditions.

The grant date fair value of the performance LTIP awards were determined using a Monte Carlo simulation method with the following assumptions (based on the three-year risk free U.S. Treasury yield over the measurement period of the LTIP awards):

	Grant Date	**Volatility**	**Dividend Yield**	**Risk Free Interest Rate**	**Discount**
Outperformance Plan	6/1/2015	26%	4.5%	0.95%	—%
2016 Time-Based LTIP Unit Awards	1/28/2016	28%	—%	0.79%	7.5%
2016 Performance-Based LTIP Unit Awards	1/28/2016	30%	5.8%	1.13%	—%
2017 Time-Based LTIP Unit Awards	3/1/2017	24%	—%	0.92%	7.5%
2017 Performance-Based LTIP Unit Awards	3/1/2017	25%	5.8%	1.47%	—%

12. Commitments and Contingencies

Litigation

The nature of the operations of the Company's hotels exposes those hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its properties.

Hotel Ground Rent

The Courtyard Altoona hotel is subject to a ground lease with an expiration date of April 30, 2029 with an extension option by the Company of up to 12 additional terms of five years each. Monthly payments are determined by the quarterly average room occupancy of the hotel. Rent is currently equal to approximately $8,000 per month when monthly occupancy is less than 85% and can increase up to approximately $20,000 per month if occupancy is 100%, with minimum rent increased by two and one-half percent (2.5%) on an annual basis.

The Residence Inn Gaslamp hotel is subject to a ground lease with an expiration date of January 31, 2065 with an extension option by the Company of up to three additional terms of ten years each. Monthly payments are currently approximately $40,000 per month and increase 10% every five years. The hotel is subject to annual supplemental rent payments calculated as 5% of gross revenues during the applicable lease year, minus 12 times the monthly base rent scheduled for the lease year.

The Residence Inn New Rochelle is subject to an air rights lease and garage lease that each expire on December 1, 2104. The lease agreements with the City of New Rochelle cover the space above the parking garage that is occupied by the hotel as well as 128 parking spaces in a parking garage that is attached to the hotel. The annual base rent for the garage lease is the hotel's proportionate share of the city's adopted budget for the operations, management and maintenance of the garage and established reserves to fund for the cost of capital repairs. Aggregate rent for 2017 is approximately $26,000 per quarter.

The Hilton Garden Inn Marina del Rey hotel is subject to a ground lease with an expiration date of December 31, 2067. Minimum monthly payments are currently approximately $43,000 per month and a percentage rent payment equal to 5% to 25% of gross income based on the type of income less the minimum rent is due in arrears.

Office Lease

The Company entered into a new corporate office lease in September 2015. The lease is for a term of 11 years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company has a renewal option of up to two successive terms of five years each. The Company shares the space with related parties and is reimbursed for the pro-rata share of rentable space occupied by the related parties.

Future minimum rental payments under the terms of all non-cancellable operating ground leases and the office lease under which the Company is the lessee are expensed on a straight-line basis regardless of when payments are due. The following is a schedule of the minimum future payments required under the ground, air rights, garages leases and office lease as of March 31, 2017, for the remainder of 2017 and for each of the next four calendar years and thereafter (in thousands):

	Other Leases[1]	Office Lease
	Amount	
2017 (remaining nine months)	$ 912	$ 567
2018	1,217	772
2019	1,220	792
2020	1,267	812
2021	1,273	832
Thereafter	69,454	4,163
Total	$ 75,343	$ 7,938

(1) Other leases includes ground, garage and air rights leases at our hotels.

Management Agreements

The management agreements with Concord Hospitality Services Company ("Concord") had an initial ten-year term that would have expired on February 28, 2017. The management agreements with Concord were terminated as of December 31, 2016. The company entered into management agreements with IHM for the hotels previously managed by Concord beginning January 1, 2017.

The management agreements with IHM have an initial term of five years and automatically renew for two five-year periods unless IHM provides written notice to us no later than 90 days prior to the then current term’s expiration date of their intent not to renew. The IHM management agreements provide for early termination at the Company’s option upon sale of any IHM-managed hotel for no termination fee, with six months advance notice. The IHM management agreements may be terminated for cause, including the failure of the managed hotel to meet specified performance levels. Base management fees are calculated as a percentage of the hotel's gross room revenue. If certain financial thresholds are met or exceeded, an incentive management fee is calculated as 10% of the hotel's net operating income less fixed costs, base management fees and a specified return threshold. The incentive management fee is capped at 1% of gross hotel revenues for the applicable calculation.

The Company entered into agreements with IHM to manage two of the hotels formerly managed by Concord during the three months ended March 31, 2017. In addition, upon renewal in July 2016, five management agreements related to the Residence Inns were amended to be consistent with the remainder of the hotel portfolio. The updated agreements are summarized as follows:

Property	**Courtyard Altoona**	**Springhill Suites Washington**	**Residence Inn Garden Grove**	**Residence Inn San Diego**	**Residence Inn San Antonio**	**Residence Inn Vienna**	**Residence Inn Washington D.C.**
Original Management Fee	4.0%	4.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Amended Management Fee	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Original Monthly Accounting Fee	1,211	991	1,000	1,000	1,000	1,000	1,000
Amended Monthly Accounting Fee	1,500	1,200	1,200	1,200	1,200	1,200	1,200
Original Monthly Revenue Management Fee	—	—	—	—	—	—	—
Amended Monthly Revenue Management Fee	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Management fees totaled approximately $2.2 million and $2.2 million, respectively, for the three months ended March 31, 2017 and 2016, respectively.

Franchise Agreements

The fees associated with the franchise agreements are calculated on the specified percentage of the hotel's gross room revenue. The Company did not enter into any new franchise agreements during the three months ended March 31, 2017 and 2016, respectively. Franchise and marketing fees totaled approximately $5.3 million and $5.2 million, respectively, for the three months ended March 31, 2017 and 2016.

13. Related Party Transactions

Mr. Fisher owns 51% of IHM. As of March 31, 2017, the Company had hotel management agreements with IHM to manage 38 of its wholly owned hotels. As of March 31, 2017, all 47 hotels owned by the NewINK JV and 34 of the 48 hotels owned by the Inland JV are managed by IHM. Hotel management, revenue management and accounting fees accrued or paid to IHM for the hotels owned by the Company for the three months ended March 31, 2017 and 2016 were $2.2 million and $2.2 million, respectively. At March 31, 2017 and December 31, 2016, the amounts due to IHM were $1.3 million and $0.9 million, respectively.

Cost reimbursements from unconsolidated real estate entities revenue represent reimbursements of costs incurred on behalf of the NewINK JV, Inland JV and an entity, Castleblack Owner Holding, LLC ("Castleblack"), which is 97.5% owned by affiliates of CLNS and 2.5% owned by Mr. Fisher. These costs relate primarily to corporate payroll costs at the NewINK JV and Inland JV where the Company is the employer. As the Company records cost reimbursements based upon costs incurred with no added markup, the revenue and related expense has no impact on the Company’s operating income or net income. Cost reimbursements from the JVs are recorded based upon the occurrence of a reimbursed activity.

Various shared office expenses and rent are paid by the Company and allocated to the NewINK JV, the Inland JV, Castleblack and IHM based on the amount of square footage occupied by each entity. Insurance expense for medical, workers compensation and general liability are paid by the NewINK JV and allocated back to the hotel properties or applicable entity for the three months ended March 31, 2017 and 2016 were $1.1 million and $1.5 million, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Dollar amounts presented in this Item 2 are in thousands, except per share data, unless otherwise specified.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2016. In this report, we use the terms "the Company," "we" or "our" to refer to Chatham Lodging Trust and its consolidated subsidiaries, unless the context indicates otherwise.

Statement Regarding Forward-Looking Information

The following information contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include information about possible or assumed future results of the lodging industry and our business, financial condition, liquidity, results of operations, cash flow and plans and objectives. These statements generally are characterized by the use of the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions. Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, our actual results could differ materially from those set forth in the forward-looking statements. Some factors that might cause such a difference include the following: local, national and global economic conditions, increased direct competition, changes in government regulations or accounting rules, changes in local, national and global real estate conditions, declines in lodging industry fundamentals, increased operating costs, seasonality of the lodging industry, our ability to obtain debt and equity financing on satisfactory terms, changes in interest rates, our ability to identify suitable investments, our ability to close on identified investments and inaccuracies of our accounting estimates. Given these uncertainties, undue reliance should not be placed on such statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect future events or circumstances or to reflect the occurrence of unanticipated events. The forward-looking statements should also be read in light of the risk factors identified in the "Risk Factors" section in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 as updated by the Company's subsequent filings with the SEC under the Exchange Act.

Overview

We are a self-advised hotel investment company organized in October 2009 that commenced operations in April 2010. Our investment strategy is to invest in upscale extended-stay and premium-branded select-service hotels in geographically diverse markets with high barriers to entry near strong demand generators. We may acquire portfolios of hotels or single hotels. We expect that a significant portion of our portfolio will consist of hotels in the upscale extended-stay or select-service categories, including brands such as Homewood Suites by Hilton®, Residence Inn by Marriott®, Hyatt Place®, Courtyard by Marriott®, Hilton Garden Inn by Hilton®, Hampton Inn® and Hampton Inn and Suites®.

The Company's future hotel acquisitions may be funded by issuances of both common and preferred shares or the issuance of partnership interests in our operating partnership, Chatham Lodging, L.P. (the "Operating Partnership"), draw-downs under our senior unsecured revolving credit facility, the incurrence or assumption of debt, available cash, proceeds from dispositions of assets or distributions from our 10.3% investment in a joint venture with affiliates of Colony NorthStar, Inc. ("CLNS") that owns 47 hotels (the "NewINK JV") or distributions from our 10.0% investment in a joint venture with CLNS that owns 48 hotels (the "Inland JV" and together with the NewINK JV, the "JVs"). We intend to acquire quality assets at attractive prices and improve their returns through knowledgeable asset management and seasoned, proven hotel management while remaining prudently leveraged.

At March 31, 2017, our leverage ratio was 40.1% based on the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost, including the JV investments. Over the past several years, we have maintained a leverage ratio between the mid-30s and the low 50s to fund our acquisitions and JV investments. As of March 31, 2017, we have total debt of $588.0 million at an average rate of approximately 4.5%. Accordingly, our debt coverage ratios currently are favorable and, as a result, we are comfortable in this leverage range and believe we have the capacity and flexibility to take advantage of acquisition opportunities as they arise. We intend to continue to fund our investments with a prudent balance of debt and equity.

We are a real estate investment trust ("REIT") for federal income tax purposes. In order to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), we cannot operate our hotels. Therefore, our Operating Partnership and its subsidiaries lease our hotel properties to taxable REIT subsidiary lessees ("TRS Lessees"), who in turn engage eligible independent contractors to manage the hotels. Each of the TRS Lessees is treated as a taxable REIT subsidiary for federal income tax purposes and is consolidated within our financial statements for accounting purposes. However, since we control both the Operating Partnership and the TRS Lessees, our principal source of funds on a consolidated basis is from the operations of our hotels. The earnings of the TRS Lessees are subject to taxation as regular C corporations, as defined in the Code, potentially reducing the TRS Lessees' cash available to pay dividends to us, and therefore our funds from operations and the cash available for distribution to our shareholders.

Financial Condition and Operating Performance Metrics

We measure our financial condition and hotel operating performance by evaluating financial metrics and measures such as:

- Revenue Per Available Room ("RevPAR"),
- Average Daily Rate ("ADR"),
- Occupancy,
- Funds From Operations ("FFO"),
- Adjusted FFO,
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"),
- Adjusted EBITDA, and
- Adjusted Hotel EBITDA

We evaluate the hotels in our portfolio and potential acquisitions using these metrics to determine each hotel's contribution toward providing income to our shareholders through increases in distributable cash flow and increasing long-term total returns through appreciation in the value of our common shares. RevPAR, ADR and Occupancy are hotel industry measures commonly used to evaluate operating performance. RevPAR, which is calculated as total room revenue divided by total number of available rooms, is an important metric for monitoring hotel operating performance, and more specifically hotel revenue.

"Non-GAAP Financial Measures" herein provides a detailed discussion of our use of FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Hotel EBITDA and a reconciliation of FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA to net income or loss, measurements recognized by generally accepted accounting principles in the United States ("GAAP").

Results of Operations

Industry Outlook

We believe that the lodging industry's performance is correlated to the performance of the economy overall, and specifically, key economic indicators such as GDP growth, employment trends, corporate travel and corporate profits. Trends for many of these indicators appear to be moderating. GDP growth is currently modest, with growth of 0.7% in the first quarter of 2017. Lodging industry performance is also impacted by room supply growth, which is currently increasing. Overall U.S. room supply increased 1.6% in the 2016, but supply in the Upscale segment, in which most of our hotels operate, increased by 5.6% in the 2016. In the first quarter of 2017 overall U.S. room supply growth was 1.9% and supply growth in the Upscale segment was 6.1%. Smith Travel Research is projecting U.S. hotel supply growth to increase 2.0% in 2017. Continued supply growth, especially when coupled with slowing corporate demand, could negatively impact RevPAR growth. We are currently projecting a 2017 RevPAR change of -1.0% to +1.0% as compared to 2016.

Comparison of the three months ended March 31, 2017 to the three months ended March 31, 2016

Results of operations for the three months ended March 31, 2017 include the operating activities of our 38 wholly owned hotels and our investments in the NewINK JV and Inland JV.

Revenues

Revenue, which consists primarily of room, food and beverage and other operating revenues from our wholly owned hotels, was as follows for the periods indicated (dollars in thousands):

	For the three months ended		
	March 31, 2017	**March 31, 2016**	**% Change**
Room	$ 64,393	$ 63,934	0.7 %
Food and beverage	1,502	1,508	(0.4)%
Other	2,446	2,354	3.9 %
Cost reimbursements from unconsolidated real estate entities	881	1,054	(16.4)%
Total revenue	**$ 69,222**	**$ 68,850**	**0.5 %**

Total revenue was $69.2 million for the quarter ended March 31, 2017, up $0.3 million compared to total revenue of $68.9 million for the corresponding 2016 period. Since all of our hotels are select-service or limited-service hotels, room revenue is the primary revenue source as these hotels do not have significant food and beverage revenue or large group conference facilities. Room revenue comprised 93.0% and 92.9%, respectively, of total revenue for the quarters ended March 31, 2017 and 2016. Room revenue was $64.4 million and $63.9 million for the quarters ended March 31, 2017 and 2016, respectively, with $0.5 million of the increase in 2017 attributable to an increase in ADR of 2.5% and RevPAR of 1.2%.

Food and beverage revenue was $1.5 million and $1.5 million for three months ended March 31, 2017 and 2016, respectively. The food and beverage revenue remained static compared to the comparable quarter from 2016.

Other operating revenue, comprised of meeting room, gift shop, in-room movie and other ancillary amenities revenue, was $2.4 million and $2.4 million for the quarters ended March 31, 2017 and 2016, respectively. Other operating revenue remained static compared to the comparable quarter from 2016.

Cost reimbursements from unconsolidated real estate entities, comprised of payroll costs at the JVs and an entity which is 97.5% owned by affiliates of CLNS and 2.5% by Mr. Fisher, where the Company is the employer, were $0.9 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively. Cost reimbursements decreased in 2017 due to a change in percentage of costs reimbursed for construction employees based on changes in the number of properties being renovated from 2016 to 2017 at the various portfolios. The decline in cost reimbursements was offset by the decline in reimbursed costs from unconsolidated real estate entities included in operating expenses.

As reported by Smith Travel Research, industry RevPAR for the three months ended March 31, 2017 and 2016 increased 3.4% and 2.7%, respectively, in the 2017 and 2016 periods as compared to the respective prior periods. RevPAR at our wholly owned hotels increased 1.2% and 2.6%, respectively, in the 2017 and 2016 periods as compared to the respective prior periods.

In the table below, we present both actual and same property room revenue metrics. Actual Occupancy, ADR and RevPAR metrics reflect the performance of the hotels for the actual days such hotels were owned by the Company during the periods presented. Same property Occupancy, ADR, and RevPAR results for the 38 hotels wholly owned by the Company as of March 31, 2017 reflect the performance of the hotels during the entire period, regardless of our ownership during the period presented, which is a non-GAAP financial measure. Results for the hotels for periods prior to our ownership were provided to us by prior owners and have not been adjusted by us.

	For the three months ended March 31,					
	2017		2016		Percentage Change	
	Same Property (38 hotels)	Actual (38 hotels)	Same Property (38 hotels)	Actual (38 hotels)	Same Property(38 hotels)	Actual (38/38 hotels)
Occupancy	76.7%	76.7%	77.7%	77.7%	(1.3)%	(1.3)%
ADR	$ 163.26	$ 163.26	$ 159.26	$ 159.26	2.5 %	2.5 %
RevPAR	$ 125.26	$ 125.26	$ 123.73	$ 123.73	1.2 %	1.2 %

RevPAR increased 1.2% primarily due to an increase in ADR of 2.5% and a decrease in occupancy of 1.3%. As the lodging cycle matures, occupancy growth stabilizes and hotels drive most of their increases in room revenue through increases in rates.

Hotel Operating Expenses

Hotel operating expenses consist of the following for the periods indicated (dollars in thousands):

	For the three months ended		
	March 31, 2017	March 31, 2016	% Change
Hotel operating expenses:			
Room	$ 13,505	$ 13,812	(2.2)%
Food and beverage	1,252	1,178	6.3 %
Telephone	409	421	(2.9)%
Other	599	589	1.7 %
General and administrative	5,654	5,497	2.9 %
Franchise and marketing fees	5,302	5,187	2.2 %
Advertising and promotions	1,331	1,352	(1.6)%
Utilities	2,370	2,382	(0.5)%
Repairs and maintenance	3,252	3,201	1.6 %
Management fees	2,247	2,229	0.8 %
Insurance	333	337	(1.2)%
Total hotel operating expenses	**$ 36,254**	**$ 36,185**	**0.2 %**

Hotel operating expenses increased $0.1 million or 0.2% to $36.3 million for the three months ended March 31, 2017 from $36.2 million for the three months ended March 31, 2016.

Room expenses, which are the most significant component of hotel operating expenses, declined $0.3 million or 2.2% from $13.8 million in 2016 to $13.5 million in the first quarter of 2017. This compares to a 0.7% increase in room revenue over the same period in 2016.

The remaining hotel operating expenses increased $0.3 million, from $22.4 million in the first quarter of 2016 to $22.7 million in the first quarter of 2017. The increase was primarily due to increases in bonuses and franchise fees related to increased revenues.

Depreciation and Amortization

Depreciation and amortization expense decreased $0.5 million from $12.5 million for the three months ended March 31, 2016 to $12.0 million for the three months ended March 31, 2017. The decrease is due to lower depreciation due to some assets being fully depreciated. Depreciation is generally recorded on our assets over 40 years for buildings, 20 years for land improvements, 15 years for building improvements and one to ten years for furniture, fixtures and equipment from the date of acquisition on a straight-line basis. Depreciable lives of hotel furniture, fixtures and equipment are generally between the date of acquisition and the date that the furniture, fixtures and equipment will be replaced. Amortization of franchise fees is recorded on a straight-line basis over the term of the respective franchise agreement.

Property Taxes, Ground Rent and Insurance

Total property taxes, ground rent and insurance expenses decreased $0.2 million from $5.0 million for the three months ended March 31, 2016 to $4.8 million for the three months ended March 31, 2017. The decrease is primarily attributed to refunds for previous year property taxes at our White Plains hotel.

General and Administrative

General and administrative expenses principally consist of employee-related costs, including base payroll, bonuses and amortization of restricted stock and awards of long-term incentive plan (“LTIP”) units in the Operating Partnership. These expenses also include corporate operating costs, professional fees and trustees’ fees. Total general and administrative expenses (excluding amortization of stock based compensation of $0.8 million and $0.7 million for the three months ended March 31, 2017 and 2016, respectively) increased $0.1 million to $2.5 million for the three months ended March 31, 2017 from $2.4 million in the three months ended March 31, 2016.

Hotel Property Acquisition Costs and Other Charges

Hotel property acquisition costs and other charges decreased from $12 thousand for the three months ended March 31, 2016 to $0 for the three months ended March 31, 2017. There has been no acquisition activity this year.

Reimbursed Costs from Unconsolidated Real Estate Entities

Reimbursed costs from unconsolidated real estate entities, comprised of corporate payroll costs at the NewINK and Inland JVs and an entity which is 97.5% owned by affiliates of CLNS and 2.5% by Mr. Fisher, where the Company is the employer, were $0.9 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively. Reimbursed costs decreased in 2017 due to a change in percentage of costs reimbursed for construction employees based on changes in the number of properties being renovated from 2016 to 2017 at the various portfolios. The decline in costs reimbursements was offset by the decline in cost reimbursements from unconsolidated real estate entities included in revenues.

Interest and Other Income

Interest on cash and cash equivalents and other income decreased $9 thousand from $21 thousand for the three months ended March 31, 2016 to $12 thousand for the three months ended March 31, 2017.

Interest Expense, Including Amortization of Deferred Fees

Interest expense decreased $44 thousand from $7.0 million for the three months ended March 31, 2016 to $7.0 million for the three months ended March 31, 2017 and is comprised of the following (dollars in thousands):

	For the three months ended		
	March 31, 2017	March 31, 2016	% Change
Mortgage debt interest	$ 6,186	$ 6,269	(1.3)%
Credit facility interest and unused fees	547	499	9.6 %
Amortization of deferred financing costs	260	269	(3.3)%
Total	**$ 6,993**	**$ 7,037**	**(0.6)%**

The decrease in interest expense for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016 is primarily due to lower interest expense in 2017 as mortgage debt has decreased. Interest expense on the Company's senior unsecured revolving credit facility increased due to an increase in LIBOR for the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

Loss from Unconsolidated Real Estate Entities

Loss from unconsolidated real estate entities decreased $0.5 million from $(0.6) million for the three months ended March 31, 2016 to $(0.1) million for the three months ended March 31, 2017. The decrease is primarily attributable to an increase in the amortization of a basis difference at the Inland JV of $0.1 million and $0.4 million at the NewINK JV attributable to a revaluation of the assets due to the merger between our JV partner NorthStar and Colony.

Income Tax Expense

Income tax expense for the three months ended March 31, 2016 and three months ended March 31, 2017 was $0 and $.3 million. We are subject to income taxes based on the taxable income of our TRS Lessees at a combined federal and state tax rate of approximately 40%.

Net Income

Net income was $4,644 for the three months ended March 31, 2017, compared to net income of $3,322 for the three months ended March 31, 2016. The change in net income was due to the factors discussed above.

Material Trends or Uncertainties

We are not aware of any material trends or uncertainties, favorable or unfavorable, that may be reasonably anticipated to have a material impact on either the capital resources or the revenues or income to be derived from the acquisition and operation of properties, loans and other permitted investments, other than those referred to in this report and in the risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2016.

Non-GAAP Financial Measures

We consider the following non-GAAP financial measures useful to investors as key supplemental measures of our operating performance: (1) FFO, (2) Adjusted FFO, (3) EBITDA, (4) Adjusted EBITDA and (5) Adjusted Hotel EBITDA. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income or loss as prescribed by GAAP as a measure of our operating performance.

FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities under GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity, nor are FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA indicative of funds available to fund our cash needs, including our ability to make cash distributions. These measurements do not reflect cash expenditures for long-term assets and other items that have been and will be incurred. FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA may include funds that may not be available for management’s discretionary use due to functional requirements to conserve funds for capital expenditures, property acquisitions, and other commitments and uncertainties.

We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss (calculated in accordance with GAAP), excluding gains or losses from sales of real estate, impairment write-downs, the cumulative effect of changes in accounting principles, plus depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures following the same approach. We believe that the presentation of FFO provides useful information to investors regarding our operating performance because it measures our performance without regard to specified non-cash items such as real estate depreciation and amortization, gain or loss on sale of real estate assets and certain other items that we believe are not indicative of the property level performance of our hotel properties. We believe that these items reflect historical cost of our asset base and our acquisition and disposition activities and are less reflective of our ongoing operations, and that by adjusting to exclude the effects of these items, FFO is useful to investors in comparing our operating performance between periods and between REITs that also report FFO using the NAREIT definition.

We calculate Adjusted FFO by further adjusting FFO for certain additional items that are not addressed in NAREIT’s definition of FFO, including hotel property acquisition costs and other charges, losses on the early extinguishment of debt and similar items related to our unconsolidated real estate entities that we believe do not represent costs related to hotel operations. We believe that Adjusted FFO provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that make similar adjustments to FFO.

The following is a reconciliation of net income to FFO and Adjusted FFO for the three months ended March 31, 2017 and 2016 (in thousands, except share data):

	For the three months ended	
	March 31,	
	2017	**2016**
Funds From Operations (“FFO”):		
Net income	$ 4,644	$ 3,322
Depreciation	11,950	12,421
Adjustments for unconsolidated real estate entity items	1,471	1,962
FFO attributable to common share and unit holders	**18,065**	**17,705**
Hotel property acquisition costs and other charges	—	12
Loss on early extinguishment of debt	—	4
Adjustments for unconsolidated real estate entity items	7	10
Adjusted FFO attributable to common share and unit holders	**$ 18,072**	**$ 17,731**
Weighted average number of common shares		
Basic	38,618,888	38,532,223
Diluted	38,831,703	38,671,129

Diluted weighted average number of common share count used for calculation of adjusted FFO per share may differ from diluted weighted average common share count used for calculation of GAAP Net Income per share by LTIP units, which may be converted to common shares of beneficial interest if Net Income per share is negative and Adjusted FFO is positive. Unvested restricted shares and unvested LTIP units that could potentially dilute basic earnings per share in the future would not be included in the computation of diluted loss per share for the periods where a loss has been recorded because they would have been anti-dilutive for the periods presented.

We calculate EBITDA for purposes of the credit facility debt covenants as net income or loss excluding: (1) interest expense; (2) provision for income taxes, including income taxes applicable to sale of assets; (3) depreciation and amortization; and (4) unconsolidated real estate entity items including interest, depreciation and amortization excluding gains or losses from sales of real estate. We believe EBITDA is useful to investors in evaluating our operating performance because it helps investors compare our operating performance between periods and between REITs by removing the impact of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results. In addition, we use EBITDA as one measure in determining the value of hotel acquisitions and dispositions.

We calculate Adjusted EBITDA by further adjusting EBITDA for certain additional items, including hotel property acquisition costs and other charges, gains or losses on the sale of real estate, losses on the early extinguishment of debt, amortization of non-cash share-based compensation and similar items related to our unconsolidated real estate entities which we believe are not indicative of the performance of our underlying hotel properties entities. We believe that Adjusted EBITDA provides investors with another financial measure that may facilitate comparisons of operating performance between periods and between REITs that report similar measures.

The following is a reconciliation of net income to EBITDA and Adjusted EBITDA for the three months ended March 31, 2017 and 2016 (in thousands):

	For the three months ended March 31,	
	2017	2016
Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”):		
Net income	$ 4,644	$ 3,322
Interest expense	6,993	7,037
Income tax expense (benefit)	317	—
Depreciation and amortization	12,004	12,475
Adjustments for unconsolidated real estate entity items	3,313	3,983
EBITDA	**27,271**	**26,817**
Hotel property acquisition costs and other charges	—	12
Loss on early extinguishment of debt	—	4
Adjustments for unconsolidated real estate entity items	15	10
Share based compensation	787	735
Adjusted EBITDA	**$ 28,073**	**$ 27,578**

Adjusted Hotel EBITDA is defined as net income before interest, income taxes, depreciation and amortization, corporate general and administrative, hotel property acquisition costs, loss on early extinguishment of debt, interest and other income and income or loss from unconsolidated real estate entities. We present Adjusted Hotel EBITDA because we believe it is useful to investors in comparing our hotel operating performance between periods and comparing our Adjusted Hotel EBITDA margins to those of our peer companies. Adjusted Hotel EBITDA represents the results of operations for our wholly owned hotels only.

The following is a presentation of Adjusted Hotel EBITDA for the three months ended March 31, 2017 and 2016 (in thousands):

		For the three months ended March 31, 2017	*For the three months ended* March 31, 2016
Net Income		$ 4,644	$ 3,322
Add:	Interest expense	6,993	7,037
	Income tax expense	317	—
	Depreciation and amortization	12,004	12,475
	Corporate general and administrative	3,268	3,112
	Hotel property acquisition costs and other charges	—	12
	Loss from unconsolidated real estate entities	85	647
	Loss on early extinguishment of debt	—	4
Less:	Interest and other income	(12)	(21)
	Adjusted Hotel EBITDA	**$ 27,299**	**$ 26,588**

Although we present FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA because we believe they are useful to investors in comparing our operating performance between periods and between REITs that report similar measures, these measures have limitations as analytical tools. Some of these limitations are:

- FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect funds available to make cash distributions;
- EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debts;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may need to be replaced in the future, and FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect any cash requirements for such replacements;
- Non-cash compensation is and will remain a key element of our overall long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period using Adjusted EBITDA;
- Adjusted FFO, Adjusted EBITDA and Adjusted Hotel EBITDA do not reflect the impact of certain cash charges (including acquisition transaction costs) that result from matters we consider not to be indicative of the underlying performance of our hotel properties; and
- Other companies in our industry may calculate FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA differently than we do, limiting their usefulness as a comparative measure.

In addition, FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA do not represent cash generated from operating activities as determined by GAAP and should not be considered as alternatives to net income or loss, cash flows from operations or any other operating performance measure prescribed by GAAP. FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA are not measures of our liquidity. Because of these limitations, FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using FFO, Adjusted FFO, EBITDA, Adjusted EBITDA and Adjusted Hotel EBITDA only supplementally. Our consolidated financial statements and the notes to those statements included elsewhere are prepared in accordance with GAAP.

Sources and Uses of Cash

Our principal sources of cash include net cash from operations and proceeds from debt and equity issuances. Our principal uses of cash include acquisitions, capital expenditures, operating costs, corporate expenditures, interest costs, debt repayments and distributions to equity holders.

As of March 31, 2017 and December 31, 2016, we had cash and cash equivalents of approximately $12.8 million and $12.1 million, respectively. We are required to maintain a total of at least $10.0 million of unrestricted cash and cash equivalents under certain non-recourse covenant guarantees related to debt in the NewINK JV and the Inland JV. Additionally, we had $193.5 million available under our $250.0 million senior unsecured revolving credit facility as of March 31, 2017.

For the three months ended March 31, 2017, net cash flows provided by operations were $14.7 million, driven by net income of $4.6 million, $13.2 million of non-cash items, including $12.3 million of depreciation and amortization and $0.8 million of share-based compensation expense and $0.1 million related to loss from unconsolidated entities. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payments for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash outflow of $3.1 million. Net cash flows used in investing activities were $4.1 million, primarily related capital improvements on our 38 wholly owned hotels of $5.1 million, offset by $1.0 million related to escrow disbursements of restricted cash. Net cash flows used by financing activities were $9.9 million, comprised of $0.1 million raised through our dividend reinvestment and share purchase plan ("DRSPP"), net borrowings of our senior unsecured revolving credit facility of $4.0 million, principal payments or payoffs on mortgage debt of $1.0 million, payments of deferred financing and offering costs of $0.2 million, and distributions to shareholders of $12.8 million.

For the three months ended March 31, 2016, net cash flows provided by operations were $14.1 million, driven by net income of $3.3 million, $14.0 million of non-cash items, including $12.7 million of depreciation and amortization and $0.7 million of share-based compensation expense, $0.6 million related to loss from unconsolidated entities and a $4 thousand of loss on early extinguishment of debt. In addition, changes in operating assets and liabilities due to the timing of cash receipts, payments for real estate taxes, payments of corporate compensation and payments from our hotels resulted in net cash outflow of $3.4 million. Net cash flows used in investing activities were $6.2 million, primarily related to capital improvements on our 38 wholly owned hotels of $4.6 million and $2.2 million related to required escrow deposits of restricted cash, reduced by distributions of $0.6 million from unconsolidated real estate entities. Net cash flows used by financing activities were $16.5 million comprised of $0.1 million raised through our dividend reinvestment and share purchase plan ("DRSPP"), net borrowings on our senior unsecured revolving credit facility of $5.0 million, principal payments or payoffs on mortgage debt of $6.8 million, payments of deferred financing and offering costs of $19 thousand, and distributions to shareholders of $14.7 million.

In March 2016, we changed the monthly dividend and distribution from $0.10 to $0.11 per common share and LTIP unit. We declared total dividends of $0.31 and $0.33 per common share and LTIP unit for the three months ended March 31, 2016 and 2017, respectively.

Liquidity and Capital Resources

At March 31, 2017, our leverage ratio was 40.1% based on the ratio of our net debt (total debt outstanding before deferred financing costs less unrestricted cash and cash equivalents) to hotel investments at cost, including our JV investments. Over the past several years, we have maintained a leverage ratio between the mid-30s and the low 50s to fund our acquisitions and investments in joint ventures. At March 31, 2017, we have total debt of $588.0 million at an average rate of approximately 4.5%. Accordingly, our debt coverage ratios are currently favorable and we are comfortable in this leverage range and believe we have the capacity and flexibility to take advantage of acquisition opportunities as they arise. We intend to continue to fund our investments with a prudent balance of debt and equity. We will pay down borrowings on our senior unsecured revolving credit facility with excess cash flow until we find other uses of cash such as investments in our existing hotels, hotel acquisitions or further joint venture investments.

At March 31, 2017 and December 31, 2016, we had $56.5 million and $52.5 million, respectively, in outstanding borrowings under our senior unsecured revolving credit facility. At March 31, 2017, the maximum borrowing availability under the senior unsecured revolving credit facility was $250.0 million. We also had mortgage debt on individual hotels aggregating $531.5 million and $532.6 million at March 31, 2017 and December 31, 2016, respectively.

Our senior unsecured credit facility contains representations, warranties, covenants, terms and conditions customary for transactions of this type, including a maximum leverage ratio, a minimum fixed charge coverage ratio and minimum net worth financial covenants, limitations on (i) liens, (ii) incurrence of debt, (iii) investments, (iv) distributions, and (v) mergers and asset dispositions, covenants to preserve corporate existence and comply with laws, covenants on the use of proceeds of the senior unsecured revolving credit facility and default provisions, including defaults for non-payment, breach of representations and warranties, insolvency, non-performance of covenants, cross-defaults and guarantor defaults. We were in compliance with all financial covenants at March 31, 2017. We expect to meet all financial covenants during the remainder of 2017 based upon our current projections.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our senior unsecured revolving credit facility or through the encumbrance of any unencumbered hotels. We believe that our net cash provided by operations will be adequate to fund operating obligations, pay interest on any borrowings and fund dividends in accordance with the requirements for qualification as a REIT under the Code. We expect to meet our long-term liquidity requirements, such as hotel property acquisitions and debt maturities or repayments through additional long-term secured and unsecured borrowings, the issuance of additional equity or debt securities or the possible sale of existing assets.

Through our $25 million DRSPP, which was established in January 2014, shareholders may purchase additional common shares by reinvesting some or all of the cash dividends received on our common shares. Shareholders may also make optional cash purchases of our common shares subject to certain limitations detailed in the prospectus for the DRSPP. As of March 31, 2017, we issued had 35,998 shares under the DRSPP at a weighted average price of $21.02. As of March 31, 2017, there was approximately $24.2 million available for issuance under the DRSPP.

In January 2014, we also established our ATM Plan whereby, from time to time, we may publicly offer and sell our common shares having an aggregate maximum offering price of up to $50 million of our common shares by means of ordinary brokers' transactions on the NYSE, in negotiated transactions or in transactions that are deemed to be "at-the-market" offerings as defined in Rule 415 under the Securities Act with Cantor Fitzgerald & Co. acting as sales agent pursuant to a Sales Agreement (the "Cantor Sales Agreement"). On January 13, 2015, the Company entered into a Sales Agreement (the "Barclays Sales Agreement") with Barclays Capital Inc. ("Barclays") to add Barclays as an additional sales agent under the Company's ATM Plan. For the three months ended March 31, 2017, we did not issue any shares under the ATM Plan. Total shares issued under the ATM Plan are 880,820 at a weighted average price of $23.54 raising net proceeds after sales commissions and fees of approximately $20.7 million. As of March 31, 2017, there was approximately $29.3 million available for issuance under the ATM Plan.

We intend to continue to invest in hotel properties as suitable opportunities arise. We intend to finance our future investments with free cash flow, the net proceeds from additional issuances of common and preferred shares, issuances of common units in our Operating Partnership or other securities, borrowings or asset sales. The success of our acquisition strategy depends, in part, on our ability to access additional capital through other sources. There can be no assurance that we will continue to make investments in properties that meet our investment criteria. Additionally, we may choose to dispose of certain hotels as a means to provide liquidity.

Dividend Policy

Our current common share dividend policy is generally to distribute, annually, approximately 100% of our annual taxable income. The amount of any dividends is determined by our Board of Trustees. In March 2016, our Board of Trustees approved an increase in our monthly dividend and distribution to $0.11 per common share and LTIP unit. The aggregate amount of dividends and distributions declared for the three months ended March 31, 2017 was $0.33 per common share and LTIP unit.

Capital Expenditures

We intend to maintain each hotel property in good repair and condition and in conformity with applicable laws and regulations and in accordance with the franchisors' standards and any agreed-upon requirements in our management and loan agreements. After we acquire a hotel property, we may be required to complete a property improvement plan ("PIP") in order to be granted a new franchise license for that particular hotel property. PIPs are intended to bring the hotel property up to the franchisors' standards. Certain of our loans require that we escrow, for property improvement purposes, at the hotels collateralizing these loans, amounts up to 5% of gross revenue from such hotels. We intend to spend amounts necessary to comply with any reasonable loan or franchisor requirements and otherwise to the extent that such expenditures are in the best interest of the hotel. To the extent that we spend more on capital expenditures than is available from our operations, we intend to fund those capital expenditures with available cash and borrowings under our senior unsecured revolving credit facility.

For the three months ended March 31, 2017 and 2016, we invested approximately $6.9 million and $9.8 million, respectively, on capital investments in our hotels. We expect to invest an additional $20.1 million on renovations, discretionary and emergency expenditures on our existing hotels for the remainder of 2017.

The Company is continuing with plans to expand two Residence Inns located in Sunnyvale, CA. The expansions are expected to include a new lobby and public spaces in each location. We are not certain when the expansions of the two Sunnyvale Residence Inns will commence. It is possible that one or both of these projects will commence in 2017, but the timing is uncertain due to potential delays related to finalizing plans, obtaining approvals from local authorities and ensuring costs to complete the expansions justify the investment. While we do not have final budgets for these projects, we currently anticipate that total expenditures will be approximately $75 million to $80 million, but these costs are subject to change.

Contractual Obligations

The following table sets forth our contractual obligations as of March 31, 2017 and the effect these obligations are expected to have on our liquidity and cash flow in future periods (in thousands). We had no material off-balance sheet arrangements at March 31, 2017, other than non-recourse debt associated with the NewINK JV and the Inland JV as discussed below.

	Payments Due by Period				
Contractual Obligations	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Corporate office lease (1)	$ 7,938	$ 567	$ 1,564	$ 1,644	$ 4,163
Revolving credit facility, including interest (2)	65,675	2,000	4,946	58,729	—
Ground leases	75,343	912	2,437	2,540	69,454
Property loans, including interest (2)	679,737	21,976	61,690	80,484	515,587
Total	$ 828,693	$ 25,455	$ 70,637	$ 143,397	$ 589,204

(1) The Company entered into a new corporate office lease in 2015. The lease is for eleven years and includes a 12-month rent abatement period and certain tenant improvement allowances. The Company shares the space with related parties and is reimbursed for the pro-rata share of rentable space occupied by related parties.

(2) Does not reflect paydowns or additional borrowings under the senior unsecured revolving credit facility after March 31, 2017. Interest payments are based on the interest rate in effect as of March 31, 2017. See Note 7, "Debt" to our unaudited consolidated financial statements for additional information relating to our property loans.

In addition to the above listed obligations, we pay management and franchise fees to our hotel management companies and franchisors based on the revenues of our hotels.

The Company’s ownership interests in the JVs are subject to change in the event that either we or CLNS calls for additional capital contributions to the respective JVs, as applicable, necessary for the conduct of that JV's business, including contributions to fund costs and expenses related to capital expenditures. We manage the NewINK JV and Inland JV and will receive a promote interest in the applicable JV if it meets certain return thresholds. CLNS may also approve certain actions related to the JVs without the Company’s consent, including certain property dispositions conducted at arm’s length, certain actions related to the restructuring of the JVs and removal of the Company as managing member in the event the Company fails to fulfill its material obligations under the respective joint venture agreements.

In connection with certain non-recourse mortgage loans in either the NewINK JV or Inland JV, our Operating Partnership could require us to repay our pro rata share of portions of each respective JV's indebtedness in connection with certain customary non-recourse carve-out provisions such as environmental conditions, misuse of funds and material misrepresentations.

Inflation

Operators of hotels, in general, possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit the ability of our management companies to raise room rates.

Seasonality

Demand for our hotels is affected by recurring seasonal patterns. Generally, we expect that we will have lower revenue, operating income and cash flow in the first and fourth quarters and higher revenue, operating income and cash flow in the second and third quarters. These general trends are, however, influenced by overall economic cycles and the geographic locations of our hotels.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016.

Recently Issued Accounting Standards

Refer to Note 3, Recently Issued Accounting Standards for all new recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We may be exposed to interest rate changes primarily as a result of our assumption of long-term debt in connection with our acquisitions and upon refinancing of existing debt. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve these objectives, we seek to borrow primarily at fixed rates or variable rates with the lowest margins available and, in some cases, with the ability to convert variable rates to fixed rates. With respect to variable rate financing, we assess interest rate risk by identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities.

The Company estimates the fair value of its fixed rate debt by discounting the future cash flows of each instrument at estimated market rates. Rates take into consideration general market conditions, maturity and fair value of the underlying collateral. The estimated fair value of the Company’s fixed rate debt at March 31, 2017 and December 31, 2016 was $524.1 million and $516.0 million, respectively.

At March 31, 2017, our consolidated debt was comprised of floating and fixed interest rate debt. The fair value of our fixed rate debt indicates the estimated principal amount of debt having the same debt service requirements that could have been borrowed at the date presented, at then current market interest rates. The following table provides information about the maturities of our financial instruments as of March 31, 2017 that are sensitive to changes in interest rates (dollars in thousands):

	2017	2018	2019	2020	2021	Thereafter	Total/ Weighted Average	Fair Value
Floating rate:								
Debt	—	—	56,500	$ —	—	—	$ 56,500	$ 56,500
Average interest rate (1)	—	—	3.37%	—%	—	—	3.37%	
Fixed rate:								
Debt	$3,243	$5,374	$7,340	$ 9,899	$ 22,308	$483,341	$ 531,505	$ 524,067
Average interest rate	4.76%	4.69%	4.68%	4.67%	5.25%	4.62%	4.65%	

(1) Weighted average interest rate based on borrowings at LIBOR of 0.78% plus a margin of 1.95% and prime rate of 3.75% plus a margin of 0.95% at March 31, 2017.

We estimate that a hypothetical 100 basis points increase on the variable interest rate would result in additional interest expense of approximately $0.6 million annually. This assumes that the amount outstanding under our floating rate debt remains $56.5 million, the balance as of March 31, 2017.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of the operations of the Company's hotels exposes those hotels, the Company and the Operating Partnership to the risk of claims and litigation in the normal course of their business. The Company is not presently subject to any material litigation nor, to the Company's knowledge, is any material litigation threatened against the Company or its properties.

Item 1A. Risk Factors.

There have been no material changes in the risk factors described in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of this report:

Exhibit Number	Description of Exhibit
3.1	Articles of Amendment and Restatement of Chatham Lodging Trust (1)
3.2	Second Amended and Restated Bylaws of Chatham Lodging Trust(2)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
10.1	Form of 2017 Time-Based Unit Award Agreement
10.2	Form of 2017 Performance-Based Unit Award Agreement
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith. Such certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

(1) Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the SEC on February 29, 2016 (File No. 001-34693).

(2) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2015 (File No. 001-34693).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHATHAM LODGING TRUST

Dated:	May 9, 2017	By: /s/ JEREMY B. WEGNER
		Jeremy B. Wegner
		Senior Vice President and Chief Financial Officer
		(Principal Financial and Accounting Officer)

TIME-BASED LONG-TERM INCENTIVE PLAN
UNIT VESTING AGREEMENT

Under the Chatham Lodging Trust
Equity Incentive Plan
(Officers and Employees)

Name of Grantee:	
No. of LTIP Units:	
Grant Date:	March 1, 2017
Final Acceptance Date:	March 1, 2017

Pursuant to the Chatham Lodging Trust Equity Incentive Plan, as amended through the date hereof (the “Plan”), and the Agreement of Limited Partnership of Chatham Lodging, L.P., a Delaware limited partnership (the “Partnership”), dated April 21, 2010, as amended by that First Amendment, dated as of June 1, 2015 (the “Partnership Agreement”), Chatham Lodging Trust, a Maryland real estate investment trust and the general partner of the Partnership (the “Company”), and for the provision of services to or for the benefit of the Partnership in a partner capacity or in anticipation of being a partner, hereby grants to the Grantee named above an Other Equity-Based Award (an “Award”) in the form of, and by causing the Partnership to issue to the Grantee named above, a number of LTIP Units (as defined in the Partnership Agreement) specified above having the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein and in the Partnership Agreement. Upon acceptance and execution of this Time-Based Long-Term Incentive Plan Unit Vesting Agreement (this “Agreement”), the Grantee shall receive, effective as of the Closing Date (as defined below), the number of LTIP Units specified above, subject to the restrictions and conditions set forth herein and in the Partnership Agreement. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

1. Acceptance of Agreement. The Grantee shall have no rights with respect to this Agreement unless he or she shall have accepted this Agreement prior to the close of business on the Final Acceptance Date specified above by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) unless the Grantee is already a Limited Partner (as defined in the Partnership Agreement), signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Annex A). Upon acceptance of this Agreement by the Grantee, the Partnership Agreement shall be amended to reflect the issuance to the Grantee of the LTIP Units so accepted, effective as of the Closing Date. Thereupon, the Grantee shall have all the rights of a Limited Partner of the Partnership with respect to the number of LTIP Units specified above, as set forth in the Partnership Agreement, subject, however, to the restrictions and conditions specified in Section 2 below.

2. Restrictions and Conditions.

(a) The records of the Partnership evidencing the LTIP Units granted herein shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP Units are subject to restrictions as set forth herein and in the Partnership Agreement.

(b) LTIP Units granted herein may not be sold, transferred, pledged, exchanged, hypothecated or otherwise disposed of by the Grantee prior to vesting.

(c) Subject to the provisions of Section 4 below, any LTIP Units subject to this Award that have not become vested on or before the date that the Grantee’s employment with the Company and its Affiliates (as defined in the Plan) terminates shall be forfeited as of the date that such employment terminates.

3. Vesting of LTIP Units. The restrictions and conditions in Section 2 of this Agreement shall lapse with respect to the number of LTIP Units specified below on the Vesting Dates specified below, so long as the Grantee remains an employee of the Company or an Affiliate from the Closing Date until such Vesting Date or Dates.

Number of LTIP Units Vested	Vesting Dates
	March 1, 2018
	March 1, 2019
	March 1, 2020

Subsequent to such Vesting Date or Dates, the LTIP Units on which all restrictions and conditions have lapsed shall no longer be deemed restricted.

4. Acceleration of Vesting in Special Circumstances. All restrictions on all LTIP Units subject to this Agreement shall be deemed waived by the Committee and all LTIP Units granted hereby shall automatically become fully vested on the date specified below if the Grantee remains in the continuous employ of the Company or an Affiliate on such date:

(a) the date that the Grantee's employment with the Company and its Affiliates ends on account of the Grantee's termination of employment by the Company without Cause or by the Grantee with Good Reason (each as defined below);

(b) the date that the Grantee's employment ends on account of the Grantee's death or total and permanent disability (as defined in Section 22(e)(3) of the Code); or

(c) on the date of a Change in Control (as defined in the Plan).

For purposes of the Award, the term Cause means (i) the Participant's failure to perform a material duty or the Participant's material breach of an obligation under an agreement with the Company or a breach of a material and written Company policy other than by reason of mental or physical illness or injury, (ii) the Participant's breach of a fiduciary duty to the Company, (iii) the Participant's conduct that is demonstrably and materially injurious to the Company, materially or otherwise or (iv) the Participant's conviction of, or plea of *nolo contendre* to, a felony or crime involving moral turpitude or fraud or dishonesty involving assets of the Company and that in all cases is described in a written notice from the Board and that is not cured, to the reasonable satisfaction of the Board, within thirty (30) days after such notice is received by the Participant.

For purposes of the Award, the term "Good Reason" means (i) the Company's material breach of an agreement with the Grantee or a direction from the Board that the Grantee act or refrain from acting which in either case would be unlawful or contrary to a material and written Company policy, (ii) a material diminution in the Grantee's duties, functions and responsibilities to the Company and its Affiliates without the Grantee's consent or the Company preventing the Grantee from fulfilling or exercising the Grantee's material duties, functions and responsibilities to the Company and its Affiliates without the Grantee's consent, (iii) a material reduction in the Grantee's base salary or annual bonus opportunity or (iv) a requirement that the Grantee relocate the Grantee's employment more than fifty (50) miles from the location of the Grantee's principal office on the Grant Date, without the consent of the Grantee. The Grantee's termination shall not be a termination with Good Reason unless the Grantee gives the Board written notice (delivered within thirty (30) days after the Grantee knows of the event, action, etc. that the Grantee asserts constitutes Good Reason), the event, action, etc. that the Grantee asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Grantee, within thirty (30) days after such notice and the Grantee resigns effective not later than thirty (30) days after the expiration of such cure period.

5. Merger-Related Action. In contemplation of and subject to the consummation of a consolidation or merger or sale of all or substantially all of the assets of the Company in which outstanding common shares are exchanged for securities, cash, or other property of an unrelated corporation or business entity or in the event of a liquidation of the Company (in each case, a "Transaction"), the Board of Trustees of the Company, or the board of trustees or directors of any corporation assuming the obligations of the Company (the "Acquiror"), may, in its discretion, take any one or more of the following actions, as to the outstanding LTIP Units subject to this Agreement: (i) provide that such LTIP Units shall be assumed or equivalent awards shall be substituted, by the acquiring or succeeding entity (or an affiliate thereof), and/or (ii) upon prior written notice to the LTIP Unitholders (as defined in the Partnership Agreement) of not less than 30 days, provide that such LTIP Units shall terminate immediately prior to the consummation of the Transaction. The right to take such actions (each, a "Merger-Related Action") shall be subject to the following limitations and qualifications:

(a) if all LTIP Units awarded to the Grantee hereunder are eligible, as of the time of the Merger-Related Action, for conversion into Common Units (as defined and in accordance with the Partnership Agreement) and the Grantee is afforded the opportunity to effect such conversion and receive, in consideration for the Common Units into which his LTIP Units shall have been converted, the same kind and amount of consideration as other holders of Common Units in connection with the Transaction, then Merger-Related Action of the kind specified in clauses (i) or (ii) of this Section 5 above shall be permitted and available to the Company and the Acquiror;

(b) if some or all of the LTIP Units awarded to the Grantee hereunder are not, as of the time of the Merger-Related Action, so eligible for conversion into Common Units (in accordance with the Partnership Agreement), and the acquiring or succeeding entity is itself, or has a subsidiary which is organized as a partnership or limited liability company (consisting of a so-called "UPREIT" or other structure substantially similar in purpose or effect to that of the Company and the Partnership), then Merger-Related Action of the kind specified in clause (i) of this Section 5 above must be taken by the Acquiror with respect to all LTIP Units subject to this Agreement which are not so convertible at the time, whereby all such LTIP Units covered by this Agreement shall be assumed by the acquiring or succeeding entity, or equivalent awards shall be substituted by the acquiring or succeeding entity, and the acquiring or succeeding entity shall preserve with respect to the assumed LTIP Units or any securities to be substituted for such LTIP Units, as far as reasonably possible under the circumstances, the distribution, special allocation, conversion and other rights set forth in the Partnership Agreement for the benefit of the LTIP Unitholders; and

(c) if some or all of the LTIP Units awarded to the Grantee hereunder are not, as of the time of the Merger-Related Action, so eligible for conversion into Common Units (in accordance with the Partnership Agreement), and after exercise of reasonable commercial efforts the Company or the Acquiror is unable to treat the LTIP Units in accordance with Section 5(b) , then Merger-Related Action of the kind specified in clause (ii) of this Section 5 above must be taken by the Company or the Acquiror, in which case such action shall be subject to a provision that the settlement of the terminated award of LTIP Units which are not convertible into Common Units requires a payment of the same kind and amount of consideration payable in connection with the Transaction to a holder of the number of Common Units into which the LTIP Units to be terminated could be converted or, if greater, the consideration payable to holders of the number of common shares into which such Common Units could be exchanged (including the right to make elections as to the type of consideration) if the Transaction were of a nature that permitted a revaluation of the Grantee's capital account balance under the terms of the Partnership Agreement, as determined by the Committee in good faith in accordance with the Plan.

6. Distributions. Distributions on the LTIP Units shall be paid currently to the Grantee in accordance with the terms of the Partnership Agreement. The right to distributions set forth in this Section 6 shall be deemed a Dividend Equivalent Right for purposes of the Plan.

7. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Agreement shall be subject to and governed by all the terms and conditions of the Plan.

8. Taxes. The Partnership and the Grantee intend that (i) the LTIP Units be treated as a "profits interest" as defined in IRS Revenue Procedure 93-27, as clarified by Revenue Procedure 2001-43, (ii) the issuance of such LTIP Units not be a taxable event to the Partnership or the Grantee as provided in such revenue procedure, and (iii) the Partnership Agreement, the Plan and this Agreement be interpreted consistently with such intent.

9. Covenants. The Grantee hereby covenants as follows:

(a) So long as the Grantee holds any LTIP Units, the Grantee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(b) The Grantee hereby agrees to make an election under Section 83(b) of the Code with respect to the LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Annex B. The Grantee agrees to file the election (or to permit the Partnership to file such election on the Grantee's behalf) within thirty (30) days after the Closing Date with the IRS Service Center at which such Grantee files his personal income tax returns, and to file a copy of such election with the Grantee's U.S. federal income tax return for the taxable year in which the LTIP Units are awarded to the Grantee.

(c) The Grantee hereby agrees that it does not have the intention to dispose of the LTIP Units subject to this Award within two years of receipt of such LTIP Units. The Partnership and the Grantee hereby agree to treat the Grantee as the owner of the LTIP Units from the Grant Date. The Grantee hereby agrees to take into account the distributive share of Partnership income, gain, loss, deduction, and credit associated with the LTIP Units in computing the Grantee's income tax liability for the entire period during which the Grantee has the LTIP Units.

(d) The Grantee hereby recognizes that the IRS has proposed regulations under Sections 83 and 704 of the Code that may affect the proper treatment of the LTIP Units for federal tax purposes. In the event that those proposed regulations are finalized, the Grantee hereby agrees to cooperate with the Partnership in amending this Agreement and the Partnership Agreement, and to take such other action as may be required, to conform to such regulations.

(e) The Grantee hereby recognizes that the U.S. Congress is considering legislation that would change the federal tax consequences of owning and disposing of LTIP Units.

10. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution, without the prior written consent of the Company.

11. Amendment. The Grantee acknowledges that the Plan may be amended or terminated in accordance with Article XV thereof and that this Agreement may be amended or canceled by the Committee, on behalf of the Partnership, for the purpose of satisfying changes in law or for any other lawful purpose, provided that no such action shall adversely affect the Grantee's rights under this Agreement without the Grantee's written consent. The provisions of Section 5 of this Agreement applicable to the termination of the LTIP Units covered by this Agreement in connection with a Transaction (as defined in Section 5 of this Agreement) shall apply, *mutatis mutandi* to amendments, discontinuance or cancellation pursuant to this Section 11 or the Plan.

12. No Obligation to Continue Employment. Neither the Company nor any affiliate of the Company is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any affiliate of the Company to terminate the employment of the Grantee at any time.

13. Notices. Notices hereunder shall be mailed or delivered to the Partnership at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Partnership or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, applied without regard to conflict of law principles. The parties agree that any action or proceeding arising directly, indirectly or otherwise in connection with, out of, related to or from this Agreement, any breach hereof or any action covered hereby, shall be resolved within the State of Delaware and the parties hereto consent and submit to the jurisdiction of the federal and state courts located within the District of Delaware. The parties hereto further agree that any such action or proceeding brought by either party to enforce any right, assert any claim, obtain any relief whatsoever in connection with this Agreement shall be brought by such party exclusively in federal or state courts located within the District of Delaware.

15. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

16. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

17. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

[Remainder of page left blank intentionally]

CHATHAM LODGING TRUST
a Maryland real estate investment trust

By: ______________________________
Name:
Title:
Date: ______________________________

CHATHAM LODGING, L.P.
a Delaware limited partnership

By: **CHATHAM LODGING TRUST,**
general partner

By: ______________________________
Name:
Title:
Date: ______________________________

The foregoing agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the Grantee.

Date: March _____, 2017

____
Grantee’s Signature

____
Grantee’s name and address:

ANNEX A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Grantee desiring to become one of the within named Limited Partners of Chatham Lodging, L.P. (the "Partnership"), hereby becomes a party to the Agreement of Limited Partnership of Chatham Lodging, L.P., dated April 21, 2010, as amended by that First Amendment, dated as of June 1, 2015, by and among Chatham Lodging Trust, as general partner (the "General Partner"), and the Limited Partners (the "Partnership Agreement"), effective as of the Closing Date (as defined in the Time-Based Long-Term Incentive Plan Unit Vesting Agreement, dated March 1, 2017, among the Grantee, the Partnership, and the General Partner). The Grantee agrees to be bound by the Partnership Agreement. The Grantee also agrees that this signature page may be attached to, and hereby authorizes the General Partner to attach this signature page to, any counterpart of the Partnership Agreement.

Date: March ____ ,2017

____
Signature of Limited Partner

____
Limited Partner's name and address:

ANNEX B-1

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are: Name: ___________ (the "Taxpayer")

Address: ______________________________

____

____

Social security number:

2. Description of property with respect to which the election is being made:

The election is being made with respect to ___________ LTIP Units in Chatham Lodging, L.P. (the "Partnership").

3. The date on which the LTIP Units were transferred is March 1, 2017. The taxable year to which this election relates is calendar year 2017.

4. Nature of restrictions to which the LTIP Units are subject:

(a) The LTIP Units are subject to a substantial risk of forfeiture and are nontransferable on the date of transfer.

(b) The Taxpayer's LTIP Units vest and become transferable based on the Taxpayer's continued employment.

5. The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the LTIP Units with respect to which this election is being made was $0 per LTIP Unit.

6. The amount paid by the Taxpayer for the LTIP Units was $0 per LTIP Unit.

7. A copy of this statement has been furnished to the Partnership and to its general partner, Chatham Lodging Trust.

Dated: March , 2017

Signature of the Taxpayer

Taxpayer's name and address:

The undersigned hereby consents to the making, by the undersigned's spouse, of the foregoing election pursuant to Section 83(b) of the Internal Revenue Code.

Dated: March ___, 2017

Signature of the Taxpayer's Spouse

Spouse's name and address:

Schedule to Section 83(b) Election-Vesting Provisions of LTIP Units

The LTIP Units are subject to time-based vesting with 33.3% vesting on March 1, 2018, 33.3% vesting on March 1, 2019, and 33.3% vesting on March 1, 2020, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer’s employment for cause in certain circumstances. Unvested LTIP Units are subject to forfeiture in the event of the termination of the Taxpayer’s employment with Chatham Lodging Trust or its affiliates in certain circumstances.

Exhibit 10.2

CHATHAM LODGING TRUST

Performance-Based Long-Term Incentive Plan Unit Award Agreement

THIS PERFORMANCE-BASED LONG-TERM INCENTIVE PLAN UNIT AWARD AGREEMENT (the “Agreement”), dated as of the 1st day of March 2017, governs the Performance-Based Long-Term Incentive Plan Unit Award granted by CHATHAM LODGING TRUST, a Maryland real estate investment trust (the “Company”), to ________________ (the “Participant”), as an Other Equity-Based Award issued in accordance with and subject to the provisions of the Company’s Equity Incentive Plan, as amended through the date hereof (the “Plan”), and the Agreement of Limited Partnership, dated as of April 21, 2010, as amended through the date hereof (the “Partnership Agreement”) of Chatham Lodging, L.P., a Delaware limited partnership (“Chatham OP”). A copy of the Plan has been made available to the Participant. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

1. Grant of LTIP Unit Award. In accordance with the Plan, and effective as of March 1, 2017 (the “Date of Grant”), the Company granted to the Participant, subject to the terms and conditions of the Plan and this Agreement, an Other Equity-Based Award of _______Class A Performance LTIP Units (as defined in the Partnership Agreement) (the “LTIP Unit Award”).

2. Performance Vesting. The Participant’s interest in the Class A Performance LTIP Units covered by this LTIP Unit Award shall become vested and non-forfeitable (“Vested”) based on the attainment of Total Shareholder Return (“TSR”) hurdles between March 1, 2017 through February 29, 2020 (“Performance Period”) in relation to the TSR performances of those companies in its Peer Group (as that term is defined herein). The LTIP Unit Award vests as follows:

(a) The number of Class A Performance LTIP Units that most nearly equals fifty percent (50%) of the LTIP Unit Award issued pursuant to this Agreement shall vest on March 1, 2020, if the TSR for the Performance Period is at the 25th percentile in comparison with the Peer Group (“Relative Performance Threshold”).

(b) The number of Class A Performance LTIP Units that most nearly equals one hundred percent (100%) of the LTIP Unit Award issued pursuant to this Agreement shall vest on March 1, 2020, if the TSR for the Performance Period is at the 50th percentile in comparison with the Peer Group (“Relative Performance Target”).

(c) The number of Class A Performance LTIP Units that most nearly equals one hundred and fifty percent (150%) of the LTIP Unit Award issued pursuant to this Agreement shall vest on March 1, 2020, if the TSR for the Performance Period is at the 75th percentile in comparison with the Peer Group (“Relative Performance Maximum”).

(d) If the TSR for the Performance Period falls at a percentile that is in between the Relative Performance Threshold and the Relative Performance Target or the Relative Performance Target and the Relative Performance Maximum, the number of Class A Performance LTIP Units of the LTIP Unit Award issued shall be calculated by straight-line interpolation.

Except as provided in paragraph 3, Class A Performance LTIP Units covered by this LTIP Unit Award may become Vested in accordance with this paragraph 2 only if the Participant remains in the continuous employ of the Company or an Affiliate for the entire Performance Period.

3. Special Vesting Rules. Paragraph 2 to the contrary notwithstanding, the Class A Performance LTIP Units covered by this LTIP Unit Award shall become Vested as follows:

(a) The Participant's interest in all of the Class A Performance LTIP Units covered by this LTIP Unit Award, to the extent not previously Vested, shall become Vested on the date that the Participant's employment with the Company and its Affiliates terminates or is terminated if (i) such termination occurs on or after March 1, 2017, (ii) the Participant's employment with the Company and its Affiliates terminates or is terminated on account of the Participant's death, Disability, a termination by the Company without Cause or a termination by the Participant with Good Reason (each as defined below) and (iii) the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date of such termination.

(b) The Participant's interest in all of the Class A Performance LTIP Units covered by this LTIP Unit Award, to the extent not previously Vested, shall become Vested on a Control Change Date if (i) such Control Change Date occurs on or before February 29, 2020 and (ii) the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the Control Change Date.

4. Forfeiture. Subject to the provisions of Paragraphs 2 and 3 hereof, any Class A Performance LTIP Units covered by this LTIP Unit Award that have not become Vested on or before the date that the Participant's employment with the Company and its Affiliates terminates or is terminated shall be forfeited on the date that the Participant's employment with the Company and its Affiliates terminates or is terminated for any reason. The Participant shall have no further right or interest in any of the Class A Performance LTIP Units covered by this LTIP Unit Award that are forfeited in accordance with the two preceding sentences.

5. Transferability. Class A Performance LTIP Units covered by this LTIP Unit Award that have not become Vested cannot be transferred. Class A Performance LTIP Units covered by this LTIP Unit Award may be transferred, subject to the requirements of applicable securities laws, after they become Vested.

6. Distributions and Unitholder Rights. In consideration of the grant of this LTIP Unit Award, the Participant agrees that: (i) the Class A Performance LTIP Units cannot be voted by the Participant before the date that they become Vested (the "Vesting Date"); (ii) the Participant shall only be entitled, during the period prior to the Vesting Date of any Class A Performance LTIP Unit, to receive 10% of the distributions made on a common unit of limited partnership interest ("Common Unit") in Chatham OP (the "Pre-Vesting Distributions"), (iii) to the extent any of the Class A Performance Units become Vested, Chatham OP will pay to the Participant a special distribution on the Vesting Date in an amount equal to (x) the aggregate amount of distributions that would have been received on such Vested Class A Performance Unit had the limitation described in (ii) above not applied, minus (y) the aggregate amount of distributions previously received pursuant to (ii) above on all Class A Performance Units that were issued to the Participant on the date hereof, including any Class A Performance Units that did not vest on the Vesting Date; and (iv) other than the distributions described in clauses (ii) and (iii) of this sentence, no cash amount will be paid with respect to any of the Class A Performance LTIP Units that do not become Vested. The Company shall retain custody of the certificates evidencing the Class A Performance LTIP Units covered by this LTIP Unit Award (and any Units received as a dividend or distribution on this LTIP Unit Award) until the date the Class A Performance LTIP Units become Vested and the Participant hereby appoints the Company's Secretary as the Participant's attorney in fact, with full power of substitution, with the power to transfer to the Company and cancel any Class A Performance LTIP Units covered by this LTIP Unit Award that are forfeited under Paragraph 4.

7. Definitions. For purposes of this Agreement, the following terms have the following definitions:

(a) **Cause** means (i) the Participant's failure to perform a material duty or the Participant's material breach of an obligation under an agreement with the Company or a breach of a material and written Company policy other than by reason of mental or physical illness or injury, (ii) the Participant's breach of a fiduciary duty to the Company, (iii) the Participant's conduct that is demonstrably and materially injurious to the Company, materially or otherwise or (iv) the Participant's conviction of, or plea of *nolo contendre* to, a felony or crime involving moral turpitude or fraud or dishonesty involving assets of the Company and that in all cases is described in a written notice from the Board and that is not cured, to the reasonable satisfaction of the Board, within thirty (30) days after such notice is received by the Participant.

(b) **Disability** means that the Participant is "disabled" (as defined in Code section 409A(a)(2)(c)).

(c) **Good Reason** means (i) the Company's material breach of an agreement with the Participant or a direction from the Board that the Participant act or refrain from acting which in either case would be unlawful or contrary to a material and written Company policy, (ii) a material diminution in the Participant's duties, functions and responsibilities to the Company and its Affiliates without the Participant's consent or the Company preventing the Participant from fulfilling or exercising the Participant's material duties, functions and responsibilities to the Company and its Affiliates without the Participant's consent, (iii) a material reduction in the Participant's base salary or annual bonus opportunity or (iv) a requirement that the Participant relocate the Participant's employment more than fifty (50) miles from the location of the Participant's principal office on the Date of Grant, without the consent of the Participant. The Participant's termination shall not be a termination with Good Reason unless the Participant gives the Board written notice (delivered within thirty (30) days after the Participant knows of the event, action, etc. that the Participant asserts constitutes Good Reason), the event, action, etc. that the Participant asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Participant, within thirty (30) days after such notice and the Participant resigns effective not later than thirty (30) days after the expiration of such cure period.

(d) **Total Shareholder Return** (or TSR) means, with respect to the measurement periods described in Sections 2(a), (b), (c) and (d) above, the total percentage return per Common Share based on the closing price of a Common Share on the New York Stock Exchange ("NYSE") on the last trading day immediately preceding the first day of the applicable measurement period compared to the closing price of a Common Share on the NYSE on the last trading day of such measurement period and assuming contemporaneous reinvestment in Common Shares of all dividends and other distributions at the closing price of a Common Share on the date such dividend or other distribution was paid.

(e) **Peer Group** means the companies in the SNL US Hotel REIT Index. Any company that ceases to be a composite company for the full three-year Performance Period shall not be included in the calculation. The constituents in the SNL US Hotel REIT Index as of the Date of Grant are listed on Schedule I attached hereto.

8. No Right to Continued Employment. This Agreement and the grant of the LTIP Unit Award does not give the Participant any rights with respect to continued employment by the Company or an Affiliate. This Agreement and the grant of the LTIP Unit Award shall not interfere with the right of the Company or an Affiliate to terminate the Participant's employment.

9. Incorporation of Plan. Notwithstanding anything herein to the contrary, this LTIP Unit Award shall be subject to all of the terms and conditions of the Plan and the Partnership Agreement.

10. Taxes. The Partnership and the Participant intend that (i) the Class A Performance LTIP Units be treated as a "profits interest" as defined in IRS Revenue Procedure 93-27, as clarified by Revenue Procedure 2001-43, (ii) the issuance of such Class A Performance LTIP Units not be a taxable event to the Partnership or the Participant as provided in such revenue procedure, and (iii) the Partnership Agreement, the Plan and this Agreement be interpreted consistently with such intent.

11. Covenants. The Participant hereby covenants as follows:

(a) So long as the Participant holds any of the Class A Performance LTIP Units, the Participant shall disclose to Chatham OP in writing such information as may be reasonably requested with respect to ownership of the Class A Performance LTIP Units as Chatham OP may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to Chatham OP or to comply with requirements of any other appropriate taxing authority.

(b) The Participant hereby agrees that it does not have the intention to dispose of the Units within two years of receipt of such Class A Performance LTIP Units. Chatham OP and the Participant hereby agree to treat the Participant as the owner of the Class A Performance LTIP Units from the Date of Grant. The Participant hereby agrees to take into account the distributive share of Chatham OP income, gain, loss, deduction, and credit associated with the Class A Performance LTIP Units, as determined in accordance with the partnership agreement, in computing the Participant's income tax liability for the entire period during which the Participant has the Class A Performance LTIP Units.

(c) The Participant hereby agrees to make an election under Section 83(b) of the Code with respect to the Class A Performance LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Annex A . The Participant agrees to file the election (or to permit the Partnership to file such election on the Participant's behalf) within thirty (30) days after the Date of Grant with the IRS Service Center at which such Participant files his personal income tax returns, and to file a copy of such election with the Participant's U.S. federal income tax return for the taxable year in which the Class A Performance LTIP Units are awarded to the Participant.

(d) The Participant hereby recognizes that the IRS has proposed regulations under Sections 83 and 704 of the Code that may affect the proper treatment of the Class A Performance LTIP Units for federal tax purposes. In the event that those proposed regulations are finalized, the Participant hereby agrees to cooperate with Chatham OP in amending this Agreement and the Partnership Agreement, and to take such other action as may be required, to conform to such regulations.

(e) The Participant hereby recognizes that the U.S. Congress is considering legislation that would change the federal tax consequences of owning and disposing of the Class A Performance LTIP Units.

12. Governing Law. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another State.

13. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

14. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

15. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

[signature page follows]

IN WITNESS WHEREOF, the Company, the Partnership and the Participant have executed this Agreement as of the date first set forth above.

CHATHAM LODGING TRUST

By: ______________________________

Name:

Title:

CHATHAM LODGING, L.P.

By: Chatham Lodging Trust,
its General Partner

By: ______________________________

Name:

Title:

PARTICIPANT

By: ______________________________

Name:

ANNEX A

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(b) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are: Name: ______________ (the "Taxpayer")

   Address: ____

   ____

   ____

   Social security number:

2. Description of property with respect to which the election is being made:

   The election is being made with respect to _________ Class A Performance LTIP Units in Chatham Lodging, L.P. (the "Partnership").

3. The date on which the Class A Performance LTIP Units were transferred is March 1, 2017. The taxable year to which this election relates is calendar year 2017.

4. Nature of restrictions to which the Class A Performance LTIP Units are subject:

(a) The Class A Performance LTIP Units are subject to a substantial risk of forfeiture and are nontransferable on the date of transfer.

(b) The Class A Performance LTIP Units are subject to forfeiture to the extent unvested upon a termination of service with the Company under certain circumstances or in the event that certain performance objectives are not satisfied. These restrictions lapse over time and upon the satisfaction of certain conditions as set forth in an agreement between the taxpayer and the Company. In addition, the Class A Performance LTIP Units are subject to certain transfer restrictions pursuant to such agreement and the Agreement of Limited Partnership, dated as of April 21, 2010, as amended through the date hereof of Chatham Lodging, L.P., a Delaware limited partnership, should the taxpayer wish to transfer the Class A Performance Units.

5. The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the Class A Performance LTIP Units with respect to which this election is being made was $0 per Class A Performance LTIP Unit.

6. The amount paid by the Taxpayer for the Class A Performance LTIP Units was $0 per Class A Performance LTIP Unit.

7. A copy of this statement has been furnished to the Partnership and to its general partner, Chatham Lodging Trust.

Dated: March 1, 2017

____
Signature of the Taxpayer

____
Taxpayer’s name and address:

The undersigned hereby consents to the making, by the undersigned's spouse, of the foregoing election pursuant to Section 83(b) of the Internal Revenue Code.

Dated: March 1, 2017

Signature of the Taxpayer's Spouse

Spouse's name and address:

Schedule to Section 83(b) Election-Vesting Provisions of Series A Performance LTIP Units

The Series A Performance LTIP Units are subject to performance-based vesting during the period commencing on March 1, 2017 and ending on February 29, 2020, subject to satisfaction at those times of certain performance objectives and to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer’s employment for cause in certain circumstances. Unvested Class A Performance LTIP Units are subject to forfeiture in the event of the termination of the Taxpayer’s employment with Chatham Lodging Trust or its affiliates in certain circumstances.

SCHEDULE I

“Peer Group”

Ticker	Company	City	State	Industry
APLE	Apple Hospitality REIT Inc.	Richmond	VA	REIT & Property Company
AHT	Ashford Hospitality Trust	Dallas	TX	REIT & Property Company
CHSP	Chesapeake Lodging Trust	Annapolis	MD	REIT & Property Company
DRH	DiamondRock Hospitality Co.	Bethesda	MD	REIT & Property Company
FCH	FelCor Lodging Trust Inc.	Irving	TX	REIT & Property Company
HT	Hersha Hospitality Trust	Harrisburg	PA	REIT & Property Company
LHO	LaSalle Hotel Properties	Bethesda	MD	REIT & Property Company
PEB	Pebblebrook Hotel Trust	Bethesda	MD	REIT & Property Company
RLJ	RLJ Lodging Trust	Bethesda	MD	REIT & Property Company
RHP	Ryman Hospitality Properties	Nashville	TN	REIT & Property Company
INN	Summit Hotel Properties Inc.	Austin	TX	REIT & Property Company
SHO	Sunstone Hotel Investors Inc.	Aliso Viejo	CA	REIT & Property Company
XHR	Xenia Hotels & Resorts Inc.	Orlando	FL	REIT & Property Company

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey H. Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of trustees (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: May 9, 2017

/s/ JEFFREY H. FISHER

Jeffrey H. Fisher

Chairman, President and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeremy B. Wegner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Chatham Lodging Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of trustees (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CHATHAM LODGING TRUST

Dated: May 9, 2017

/s/ JEREMY B. WEGNER

Jeremy B. Wegner

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

Certification Pursuant To
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Chatham Lodging Trust (the “Company”) on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey H. Fisher, Chairman, President and Chief Executive Officer of the Company and I, Jeremy B. Wegner, Senior Vice President and Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

CHATHAM LODGING TRUST

Dated: May 9, 2017

/s/ JEFFREY H. FISHER
Jeffrey H. Fisher
Chairman, President and Chief Executive Officer

/s/ JEREMY B. WEGNER
Jeremy B. Wegner
Senior Vice President and Chief Financial Officer